Introduced Version

HOUSE BILL No. 1001 (ss)

DIGEST OF INTRODUCED BILL

Citations Affected: Numerous provisions throughout the Indiana Code.

Synopsis: Various tax and budget matters. Phases reassessment increases for residential property over four years. Increases the property tax replacement credit, the homestead credit, the standard deduction, the research expense credit, the earned income tax credit, and the renter's deduction. Establishes an investment credit, a multifamily rental complex deduction, and an inventory tax refund. Limits the gross income tax to public utilities, eliminates the gross income tax exemption for certain pass through entities, and increases the tax rate. Increases the sales tax, the corporate adjusted gross income tax, the cigarette tax, the wagering tax, and certain fees. Establishes the business supplemental tax. Delays reduction of the insurance premium tax rate. Authorizes the establishment of certain fees. Prohibits the closing of or staff reductions at certain state institutions. Authorizes dockside gaming and pari-mutuel pull tabs. Authorizes the location of a riverboat in a historic district in the towns of French Lick and West Baden. Makes certain appropriations, including an appropriation for distributions to tobacco farmers. Prohibits closure of certain facilities. Restores Gary building authority statutes to read as they did before amendments by P.L.178-2002 (HEA 1196). Establishes the county support for hospitals program. Repeals the riverboat admissions tax, the supplemental net income tax, the hospital care for the indigent (HCI) program. Voids rules of the department of local governmental finance, including the shelter allowance and the personal property tax manual, and suspends the department's rulemaking authority. Makes other changes.

Effective: Upon passage; January 1, 2002 (retroactive); March 1, 2002 (retroactive); March 28, 2002 (retroactive); June 1, 2002; July 1, 2002; December 1, 2002; January 1, 2003; January 2, 2003.

Bauer

May 14, 2002, read first time and referred to Committee on Ways and Means.

Special Session 112th General Assembly (2002)(ss)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2002 Regular Session of the General Assembly.

HOUSE BILL No. 1001(ss)

A BILL FOR AN ACT to amend the Indiana Code concerning state and local finance and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-4-3.4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) The value added research fund is established for the purpose of providing money for the center for value added research and the commissioner of agriculture to carry out the duties specified under this chapter. The fund shall be administered by the commissioner of agriculture.

(b) The fund consists of money appropriated by the general assembly.

(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(e) There is annually appropriated to the value added research fund one million dollars ($1,000,000) from the state general fund for carrying out the purposes of the fund described in subsection (a).

SECTION 2. IC 4-4-9.3 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 9.3. Rural Development Administration Fund

Sec. 1. (a) The rural development administration fund is established for the purpose of enhancing and developing rural communities. The fund shall be administered by the Indiana rural development council.

(b) The expenses of administering the fund shall be paid from the money in the fund.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisers, and legal counsel to assist in the management of the fund and may pay the state expenses incurred under those contracts.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 2. (a) Money in the fund may be used for the following purposes:

(1) To create, assess, and assist a pilot project to enhance the economic and community development in a rural area.

(2) To establish a local revolving loan fund for an industrial, a commercial, an agricultural, or a tourist venture.

(3) To provide a loan for an economic development project in a rural area.

(4) To provide technical assistance to a rural organization.

(5) To assist in the development and creation of a rural cooperative.

(6) To address rural workforce development challenges.

(7) To assist in addressing telecommunications needs in a rural area.

(b) Expenditures from the fund are subject to appropriation by the general assembly and approval by the Indiana rural development council under IC 4-4-9.5. The council may not approve an expenditure from the fund unless the rural development administration advisory board established by section 4 of this chapter has recommended the expenditure.

Sec. 3. (a) There is annually appropriated to the rural development administration fund two million five hundred thousand dollars ($2,500,000) from the state general fund for use in carrying out the purposes of section 2 of this chapter.

(b) The money appropriated by this section does not revert to the state general fund at the close of any fiscal year but remains available to the rural development administration fund until the purpose for which it was appropriated is fulfilled.

Sec. 4. (a) The rural development administration advisory board is established to make recommendations concerning the expenditure of money from the fund.

(b) The advisory board shall meet at least four (4) times per year and shall also meet at the call of the executive director of the rural development council.

(c) The advisory board consists of the following members:

(1) The executive director of the Indiana rural development council, who serves as an ex officio member and as the chairperson of the advisory board.

(2) Two (2) members of the senate, who may not be members of the same political party, and who are appointed by the president pro tempore of the senate.

(3) Two (2) members of the house of representatives, who may not be members of the same political party, and who are appointed by the speaker of the house of representatives.

(4) A representative of the commissioner of agriculture, to be appointed by the governor.

(5) A representative of the department of commerce, to be appointed by the governor.

(6) A representative of the department of workforce development, to be appointed by the governor.

(7) Two (2) persons with knowledge and experience in state and regional economic needs, to be appointed by the governor.

(8) A representative of a local rural economic development organization, to be appointed by the governor.

(9) A representative of a small town or rural community, to be appointed by the governor.

(10) A representative of the rural development council, to be appointed by the governor.

(11) A representative of rural education, to be appointed by the governor.

(12) A representative of the league of regional conservation and development districts, to be appointed by the governor.

(13) A person currently enrolled in rural secondary education, to be appointed by the governor.

(d) The members of the advisory board listed in subsection

(c)(1) through (c)(3) are nonvoting members.

(e) The term of office of a legislative member of the advisory board is four (4) years. However, a legislative member of the advisory board ceases to be a member if the member:

(1) is no longer a member of the chamber from which the member was appointed; or

(2) is removed from the advisory board by the appointing authority who appointed the legislator.

(f) The term of office of a voting member of the advisory board is four (4) years. However, these members serve at the pleasure of the governor and may be removed for any reason.

(g) If a vacancy exists on the advisory board, the appointing authority who appointed the former member whose position has become vacant shall appoint an individual to fill the vacancy for the balance of the unexpired term.

(h) Six (6) voting members of the advisory board constitute a quorum for the transaction of business at a meeting of the advisory board. The affirmative vote of at least six (6) voting members is necessary for the advisory board to take action.

SECTION 3. IC 4-4-9.5-4 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 4. (a) There is annually appropriated to the Indiana rural development council one million two hundred thousand dollars ($1,200,000) from the state general fund for its use in carrying out the purposes of this chapter.**

(b) The money appropriated by this section does not revert to the state general fund at the close of any fiscal year but remains available to the Indiana rural development council until the purpose for which it was appropriated is fulfilled.

SECTION 4. IC 4-10-13-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. The Indiana department of state revenue is hereby authorized and directed to prepare and publish each year the following report, which shall contain: ~~the following data and information:~~

(1) a recital of the number of taxpayers, the amount of gross collections, the amount of net collections, the amount of refunds, the amount of collection allowances, the amount of administrative costs, and the amount of delinquencies by type of tax collected by the department; **and**

(2) relative to the gross income tax, a recital of the number of taxpayers, the total amount of gross income tax collected, the total amount of exemptions allowed and the total amount of nontaxable

income. It shall also include a recital of the number of taxpayers and the total amount of gross income tax received ~~from farmers, manufacturing interests, wholesalers, retailers, transportation and communication interest, public utilities, financial and insurance interests, real estate interests, personal service businesses, and salaries and wages received~~ from every ~~other~~ source to the extent such information is available from gross income tax returns.

~~(3) A breakdown of gross income tax collections received from corporate taxpayers, from unincorporated businesses, from income taxed at the rate of three eighths of one per cent (3/8%) and one and one-half per cent (1 1/2%), and from types of businesses as described in subsection (2) of this section.~~

Such report shall be made available for inspection as soon as it is prepared and shall be published, in the manner hereinafter provided, by the Indiana state department of revenue not later than December ~~31st,~~ **31** following the end of each fiscal year.

SECTION 5. IC 4-10-20 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 20. 21st Century Revenue Stabilization Plan

Sec. 1. As used in this chapter, "budget agency" refers to the budget agency established by IC 4-12-1-3.

Sec. 2. As used in this chapter, "budget director" has the meaning set forth in IC 4-12-1-2.

Sec. 3. As used in this chapter, "general fund revenue" means the sum of general fund revenue (as defined in IC 4-10-18-1) and revenue deposited in the property tax replacement fund (IC 6-1.1-21).

Sec. 4. As used in this chapter, "political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 5. As used in this chapter, "tax relief fund" refers to the tax relief fund established by section 7 of this chapter.

Sec. 6. As used in this chapter, "unused 21st century tax plan balance" refers to the amount determined for a state fiscal year under section 8 of this chapter.

Sec. 7. (a) The tax relief fund is established.

(b) The purpose of the tax relief fund is to provide a source of money to maintain:

(1) homestead credit distributions (IC 6-1.1-20.9) and property tax replacement credit distributions (IC 6-1.1-21) from the state to political subdivisions; and

(2) inventory property tax refunds to taxpayers (IC 6-1.1-21);

when economic conditions result in lowered collections of general tax revenues as determined by the budget agency under section 11 of this chapter.

(c) The tax relief fund shall be administered by the treasurer of state.

(d) The treasurer of state shall invest the money in the tax relief fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the tax relief fund.

(e) Money in the tax relief fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 8. (a) After June 30, 2003, and after June 30 in each subsequent year, at the same time that the budget director makes a determination under IC 4-10-18-5 (determination of appropriations to or from the counter-cyclical revenue and economic stabilization fund), the budget director shall determine the unused 21st century tax plan balance for the immediately preceding state fiscal year under this section.

(b) The unused 21st century tax plan balance for a state fiscal year is the amount determined under the last STEP of the following formula:

STEP ONE: Calculate the net amount of additional state general fund revenue accruing to the state general fund in the immediately preceding state fiscal year as a result of:

(A) the enactment of a business supplemental tax (IC 6-2.2);

(B) elimination of local reimbursement of property tax replacement credits for certain property (IC 6-1.1-21);

(C) the increase in the adjusted gross income tax rate on corporations (IC 6-3-1 through IC 6-3-7) after offsetting the impact on state tax liability of increasing the renter's deduction (IC 6-3-2-6), increasing the research expense credit (IC 6-3.1-4), and establishing an investment tax credit (IC 6-3.1-24);

(D) the increase in the state gross retail and use taxes (IC 6-2.5);

(E) the elimination of the gross income tax (IC 6-2.1) for taxpayers other than public utilities; and

(F) the elimination of the supplemental net income tax (IC 6-3-8);

enacted by the general assembly in 2002.

STEP TWO: Calculate the amount of additional expenses incurred by the state in the immediately preceding state fiscal year as a result of:

(A) increasing local reimbursement for the homestead credit (IC 6-1.1-20.9);

(B) establishing an inventory property tax refund (IC 6-1.1-21); and

(C) increasing local reimbursement of property tax replacement credits for certain property and certain levies (IC 6-1.1-21) enacted by the general assembly in 2002.

STEP THREE: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP ONE amount minus the STEP TWO amount.

Sec. 9. As soon as possible after making the determination under section 8 of this chapter, the budget director shall certify the unused 21st century tax plan balance amount determined under section 8 of this chapter to the treasurer of state.

Sec. 10. If the unused 21st century tax plan balance amount certified under section 9 of this chapter is greater than zero (0), the treasurer of state shall transfer the unused 21st century tax plan balance to the tax relief fund.

Sec. 11. After December 31, 2003, an amount of money in the tax relief fund determined by the budget director may be used to meet the state's obligations to:

(1) maintain homestead credit and property tax replacement credit distributions from the state to political subdivisions; and

(2) inventory property tax refunds to taxpayers;

when economic conditions result in lowered collections of general tax revenues and the budget director determines that general fund revenues being collected in the state fiscal year are insufficient to meet the state's obligations for the distributions described in this section, as determined by the budget agency after review by the budget committee.

SECTION 6. IC 4-10-21 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

Chapter 21. State Fiscal Year Spending Limit

Sec. 1. For purposes of this chapter, base year spending is equal to the amount determined under STEP TWO of the following formula:

STEP ONE: Determine the sum of all state appropriations for expenditures, other than excluded expenditures, and reserve increases enacted for the state fiscal year beginning July 1, 2002, and ending June 30, 2003, before deducting any amount that was reverted at the end of the state fiscal year.

STEP TWO: Subtract all base budget reductions made by the governor to state appropriations for expenditures, other than excluded expenditures, and reserve increases enacted for the state fiscal year beginning July 1, 2002, and ending June 30, 2003.

Sec. 2. For purposes of this chapter, fiscal year spending is equal to the sum of all:

(1) state governmental expenditures in a state fiscal year, other than excluded expenditures;

(2) revenue losses in a state fiscal year due to tax relief enacted by the general assembly after June 30, 2002; and

(3) reserve increases in a state fiscal year.

Sec. 3. For purposes of this chapter, the following are excluded expenditures:

(1) Expenditures for any of the following:

(A) Education.

(B) Annual teachers' pension obligations.

(C) Medicaid.

(D) Property tax replacement.

(2) Expenditures from the following:

(A) Money received as gifts.

(B) Federal funds.

(C) Money collected for another government.

(D) Money received from damage awards.

(E) Money received from property sales.

(F) Money received from settlement awards.

(G) State dedicated funds.

Sec. 4. For purposes of this chapter, the maximum annual percentage change in fiscal year spending is equal to the lesser of the following:

(1) The greater of zero (0) or the annual percentage growth in Indiana nonfarm personal income for the three (3) calendar years immediately preceding an odd-numbered year divided by three (3).

(2) Six percent (6%).

Sec. 5. Before January 1, 2003, and January 1 in each odd-numbered year thereafter, the department of state revenue

shall estimate the maximum annual percentage change in fiscal year spending computed under section 4 of this chapter using the latest available actual and estimated data for the immediately preceding three (3) calendar years. The department of state revenue shall:

(1) certify to the governor, budget agency, and legislative council the maximum annual percentage change in fiscal year spending estimated under this section; and

(2) release the information certified under subdivision (1) to the general public.

Sec. 6. Before June 30, 2003, and June 30 in each odd-numbered year thereafter, the department of state revenue shall recalculate the maximum annual percentage change in fiscal year spending using the latest actual data for the immediately preceding three (3) calendar years. The department of state revenue shall:

(1) certify to the governor, budget agency, and legislative council the revised maximum annual percentage change in fiscal year spending recalculated under this section; and

(2) release the information certified under subdivision (1) to the general public.

Sec. 7. A maximum annual percentage change in fiscal year spending computed under section 6 of this chapter applies to:

(1) the state fiscal year beginning in the odd-numbered year in which it is computed; and

(2) the immediately following state fiscal year beginning in an even-numbered year.

Sec. 8. (a) This section applies to a state fiscal year beginning after June 30, 2003.

(b) Subject to sections 9 through 10 of this chapter, the state may not increase fiscal year spending more than the maximum annual percentage change in fiscal year spending applicable to that state fiscal year. As a result, fiscal year spending in the state fiscal year may not exceed the amount determined under the following STEPS:

STEP ONE: Determine:

(A) for the state fiscal year beginning July 1, 2003, and ending June 30, 2004, the amount of base year spending; and

(B) for each state fiscal year beginning after June 30, 2004, the maximum fiscal year spending permitted under this section for the immediately preceding state fiscal year.

STEP TWO: Multiply the STEP ONE amount by the

maximum annual percentage change in fiscal year spending applicable to the state fiscal year.

STEP THREE: Add the amount resulting from STEP TWO to the STEP ONE amount.

Sec. 9. Payments for pensions, including accrued unfunded liability, and final court judgments that the state is obligated to pay may exceed the spending limit imposed by section 8 of this chapter.

Sec. 10. Expenditures from a reserve fund may exceed the spending limit imposed by section 8 of this chapter if the initial transfer of the money into the reserve fund was included in the fiscal year spending of a previous state fiscal year.

Sec. 11. If the general assembly considers it necessary to spend beyond the sum of the spending limit imposed by section 8 of this chapter and the expenditure is not allowed under section 9 or 10 of this chapter, the general assembly may do so by adopting a concurrent resolution approved by a majority of both houses of the general assembly. The resolution must state:

(1) that the general assembly desires to budget and spend more funds than permitted by this chapter; and

(2) the reasons necessitating the excess spending.

Upon passage of such a resolution, a cause of action may not be initiated under section 14 of this chapter if the excess spending results from passage of the resolution and the reasons for the excess spending stated in the resolution.

Sec. 12. If revenue from sources not excluded from fiscal year spending exceeds the spending limit imposed under this chapter for that state fiscal year after making the deposits required under IC 4-10-20, the excess must be deposited into the excess tax fund established under section 13 of this chapter to be used for property tax relief programs enacted by the general assembly.

Sec. 13. (a) The excess tax fund is established for the purpose of providing property tax relief under programs enacted by the general assembly. The fund shall be administered by the treasurer of state.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 14. This chapter may be enforced in a private individual or class action suit. Successful plaintiffs are allowed costs and reasonable attorney's fees. The state may recover costs and reasonable attorney's fees under this chapter only if a suit against it is ruled frivolous. Revenue collected illegally, kept illegally, or spent illegally for the four (4) state fiscal years preceding the date that the suit is filed shall be deposited in the excess tax fund commencing for each state fiscal year on the date the state exceeds the spending limitation imposed for that state fiscal year under this chapter.

SECTION 7. IC 4-12-9-1, AS ADDED BY P.L.21-2000, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. ~~As used in~~ **The following definitions apply throughout** this chapter:

(1) “Fund" refers to the tobacco farmers ~~and rural community impact~~ fund established by section 2 of this chapter.

(2) "Master settlement agreement" has the meaning set forth in IC 24-3-3-6.

(3) "Phase II agreement" refers to the National Tobacco Grower Settlement Trust Agreement entered into by tobacco growing states and major tobacco companies and dated July 19, 1999.

(4) "Phase II payment program" refers to the payments to tobacco growers and quota owners established by the National Tobacco Grower Settlement Trust Agreement entered into by tobacco growing states and major tobacco companies and dated July 19, 1999.

(5) "Tobacco grower" has the meaning set forth in the National Tobacco Grower Settlement Trust Agreement.

(6) "Tobacco quota owner" has the meaning set forth in the National Tobacco Grower Settlement Trust Agreement.

SECTION 8. IC 4-12-9-2, AS AMENDED BY P.L.291-2001, SECTION 73, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) The tobacco farmers ~~and rural community impact~~ fund is established. The fund shall be administered by the commissioner of agriculture. The fund consists of:

(1) amounts, if any, that another statute requires to be distributed to the fund from the Indiana tobacco master settlement agreement fund;

(2) appropriations to the fund from other sources;

(3) grants, gifts, and donations intended for deposit in the fund; and

(4) interest that accrues from money in the fund.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the public employees retirement fund under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisors, and legal counsel to assist in the management of the fund and may pay the state expenses incurred under those contracts.

(d) Money in the fund at the end of the state fiscal year does not revert to the state general fund **or any other fund** and remains available for expenditure.

SECTION 9. IC 4-12-9-3, AS AMENDED BY P.L.291-2001, SECTION 74, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. ~~(a) Subject to subsection (b),~~ Money in the fund shall be used for ~~the following purposes:~~ **distributions under section 5 of this chapter.**

~~(1) Agricultural grant and loan programs to assist cooperative arrangements consisting of tobacco quota owners and tobacco growers working together to transition from tobacco production to other agricultural enterprises and to assist individual tobacco quota owners and tobacco growers who are in the process of transitioning to other agricultural enterprises.~~

~~(2) Value-added cooperatives, incubators, and other enterprises or facilities established for the purpose of assisting tobacco quota owners and tobacco growers to capture additional revenues from non-tobacco agricultural commodities.~~

~~(3) Agricultural mentoring programs, entrepreneurial leadership development, and tuition and scholarships to assist displaced tobacco growers in acquiring new training and employment skills.~~

~~(4) Academic research to identify new transitional crop enterprises to replace tobacco production.~~

~~(5) Market facility development for marketing current and new crop enterprises.~~

~~(6) Administrative and planning services for local communities and economic development entities that suffer a negative impact from the loss of tobacco production.~~

~~(7) Establishment and operation of a regional economic development consortium to address common problems faced by local communities that suffer a negative impact from the loss of tobacco production.~~

~~(b) Expenditures from the fund are subject to appropriation by the general assembly and approval by the the commissioner of agriculture. The commissioner of agriculture may not approve an expenditure from the fund unless that expenditure has been recommended by the advisory board established by section 4 of this chapter.~~

SECTION 10. IC 4-12-9-5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 5. (a) The Phase II payment program shall be supplemented from the fund during each state fiscal year beginning after June 30, 2002, and ending before July 1, 2011. The amount of the supplement to be provided for each state fiscal year shall be determined by the commissioner of agriculture and is equal to the sum of the following amounts:**

(1) If the payments due and payable to tobacco growers and tobacco quota owners under the Phase II payment program during a state fiscal year are less than the amount established in the Phase II agreement, the amount necessary to make the total payments to tobacco growers and tobacco quota owners for the state fiscal year equal to the amount described in the Phase II agreement.

(2) The pro rata amount, to be distributed over the life of the Phase II payment program, that is required to make the total payments to tobacco growers and tobacco quota owners for the years 1999 through 2001 equal to the amounts described in the Phase II agreement.

(3) During each state fiscal year beginning after June 30, 2002, and ending before July 1, 2007, four million seven hundred twenty thousand dollars ($4,720,000).

(b) The commissioner of agriculture shall certify the amounts determined under subsection (a) to the budget agency and the auditor of state. Notwithstanding IC 4-12-1-14.3, the amounts certified by the commissioner of agriculture shall be transferred to the fund from the Indiana tobacco master settlement agreement fund.

(c) The commissioner of agriculture shall distribute money in the fund to tobacco growers and tobacco quota owners using the same formula and process used for the Phase II payment program. The commissioner of agriculture may contract with consultants, financial institutions, and legal counsel to assist in the administration of this section and may pay the expenses of those contracts from money in the fund.

(d) Money transferred to the fund under this section is annually

appropriated for the purposes set forth in this section.

(e) This section expires June 30, 2011.

SECTION 11. IC 4-15-15 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 15. Unpaid Leave for State Employees

Sec. 1. As used in this chapter, "employee" means a person who is employed full-time by a state agency.

Sec. 2. As used in this chapter, "state agency" means an authority, a board, a branch, a bureau, a commission, a committee, a council, a department, a division, an office, an officer, a service, or an instrumentality of the executive, judicial, or legislative branch of state government. The term does not include state supported colleges or universities or the agencies of any municipality or political subdivision of the state.

Sec. 3. (a) An employee of a state agency who obtains consent from the employee's supervisor or appointing authority shall be granted leave from work without pay for not more than one (1) work day per month.

(b) The leave permitted under this chapter does not accrue to the employee if the leave is unused during the month for which it is allowed.

(c) An employee granted leave under this chapter does not lose accrued:

(1) seniority;
(2) vacation leave;
(3) sick leave;
(4) personal vacation days;
(5) compensatory time off; or
(6) overtime.

SECTION 12. IC 4-21.5-2-4, AS AMENDED BY P.L.198-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) This article does not apply to any of the following agencies:

(1) The governor.
(2) The state board of accounts.
(3) The state educational institutions (as defined by IC 20-12-0.5-1).
(4) The department of workforce development.
(5) The unemployment insurance review board of the department of workforce development.
(6) The worker's compensation board.

(7) The military officers or boards.
(8) The Indiana utility regulatory commission.
(9) The department of state revenue (excluding an agency action related to the licensure of private employment agencies **or an agency action under IC 6-2.2-11-2 through IC 6-2.2-11-7).**

(b) This article does not apply to action related to railroad rate and tariff regulation by the Indiana department of transportation.

SECTION 13. IC 4-22-2-37.1, AS AMENDED BY P.L.120-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 37.1. (a) This section applies to a rulemaking action resulting in any of the following rules:

(1) An order adopted by the commissioner of the Indiana department of transportation under IC 9-20-1-3(d) or IC 9-21-4-7(a) and designated by the commissioner as an emergency rule.
(2) An action taken by the director of the department of natural resources under IC 14-22-2-6(d) or IC 14-22-6-13.
(3) An emergency temporary standard adopted by the occupational safety standards commission under IC 22-8-1.1-16.1.
(4) An emergency rule adopted by the solid waste management board under IC 13-22-2-3 and classifying a waste as hazardous.
(5) A rule, other than a rule described in subdivision (6), adopted by the department of financial institutions under IC 24-4.5-6-107 and declared necessary to meet an emergency.
(6) A rule required under IC 24-4.5-1-106 that is adopted by the department of financial institutions and declared necessary to meet an emergency under IC 24-4.5-6-107.
(7) A rule adopted by the Indiana utility regulatory commission to address an emergency under IC 8-1-2-113.
(8) An emergency rule jointly adopted by the water pollution control board and the budget agency under IC 13-18-13-18.
(9) An emergency rule adopted by the state lottery commission under IC 4-30-3-9.
(10) A rule adopted under IC 16-19-3-5 that the executive board of the state department of health declares is necessary to meet an emergency.
(11) An emergency rule adopted by the Indiana transportation finance authority under IC 8-21-12.
(12) An emergency rule adopted by the insurance commissioner under IC 27-1-23-7.
(13) An emergency rule adopted by the Indiana horse racing

commission under IC 4-31-3-9.

(14) An emergency rule adopted by the air pollution control board, the solid waste management board, or the water pollution control board under IC 13-15-4-10(4) or to comply with a deadline required by federal law, provided:

(A) the variance procedures are included in the rules; and

(B) permits or licenses granted during the period the emergency rule is in effect are reviewed after the emergency rule expires.

(15) An emergency rule adopted by the Indiana election commission under IC 3-6-4.1-14.

(16) An emergency rule adopted by the department of natural resources under IC 14-10-2-5.

(17) An emergency rule adopted by the Indiana gaming commission under IC 4-33-4-2, IC 4-33-4-3, or IC 4-33-4-14.

(18) An emergency rule adopted by the alcohol and tobacco commission under IC 7.1-3-17.5, IC 7.1-3-17.7, or IC 7.1-3-20-24.4.

(19) An emergency rule adopted by the department of financial institutions under IC 28-15-11.

(20) An emergency rule adopted by the office of the secretary of family and social services under IC 12-8-1-12.

(21) An emergency rule adopted by the office of the children's health insurance program under IC 12-17.6-2-11.

~~(22) After December 31, 2003, an emergency rule adopted by the office of Medicaid policy and planning under IC 12-17.7-2-6 to implement the uninsured parents program.~~

~~(23)~~ **(22)** An emergency rule adopted by the office of Medicaid policy and planning under IC 12-15-41-15.

(b) The following do not apply to rules described in subsection (a):

(1) Sections 24 through 36 of this chapter.

(2) IC 13-14-9.

(c) After a rule described in subsection (a) has been adopted by the agency, the agency shall submit the rule to the publisher for the assignment of a document control number. The agency shall submit the rule in the form required by section 20 of this chapter and with the documents required by section 21 of this chapter. The publisher shall determine the number of copies of the rule and other documents to be submitted under this subsection.

(d) After the document control number has been assigned, the agency shall submit the rule to the secretary of state for filing. The agency shall submit the rule in the form required by section 20 of this chapter and with the documents required by section 21 of this chapter. The secretary of state shall determine the number of copies of the rule and other documents to be submitted under this subsection.

(e) Subject to section 39 of this chapter, the secretary of state shall:

(1) accept the rule for filing; and

(2) file stamp and indicate the date and time that the rule is accepted on every duplicate original copy submitted.

(f) A rule described in subsection (a) takes effect on the latest of the following dates:

(1) The effective date of the statute delegating authority to the agency to adopt the rule.

(2) The date and time that the rule is accepted for filing under subsection (e).

(3) The effective date stated by the adopting agency in the rule.

(4) The date of compliance with every requirement established by law as a prerequisite to the adoption or effectiveness of the rule.

(g) Subject to subsection (h), IC 14-10-2-5, IC 14-22-2-6, and IC 22-8-1.1-16.1, a rule adopted under this section expires not later than ninety (90) days after the rule is accepted for filing under subsection (e). Except for a rule adopted under subsection (a)(14), the rule may be extended by adopting another rule under this section, but only for one (1) extension period. A rule adopted under subsection (a)(14) may be extended for two (2) extension periods. Except for a rule adopted under subsection (a)(14), for a rule adopted under this section to be effective after one (1) extension period, the rule must be adopted under:

(1) sections 24 through 36 of this chapter; or

(2) IC 13-14-9;

as applicable.

(h) A rule described in subsection (a)(6), (a)(9), or (a)(13) expires on the earlier of the following dates:

(1) The expiration date stated by the adopting agency in the rule.

(2) The date that the rule is amended or repealed by a later rule adopted under sections 24 through 36 of this chapter or this section.

(i) This section may not be used to readopt a rule under IC 4-22-2.5.

SECTION 14. IC 4-31-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. The ~~purpose~~ **purposes** of this article ~~is~~ **are** to:

(1) permit pari-mutuel wagering on horse races in Indiana; ~~and to~~

(2) permit the sale of pari-mutuel pull tabs at racetracks and satellite facilities in Indiana;

(3) ensure that **the sale of pari-mutuel pull tabs and** pari-mutuel wagering on horse races in Indiana will be conducted with the highest of standards and the greatest level of integrity; **and**

(4) maximize and preserve state revenues generated from the various forms of permitted gaming and wagering by ensuring that the various forms of permitted gaming and wagering occur in different geographic regions of the state.

SECTION 15. IC 4-31-2-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 1.5. "Adjusted gross receipts" means:**

(1) the total of all cash and property (including checks received by a permit holder, whether collected or not) received by a permit holder from pari-mutuel pull tab sales; minus

(2) the total of:

(A) all cash paid out to patrons as winnings for pari-mutuel pull tabs; and

(B) uncollectible pari-mutuel pull tab receivables, not to exceed the lesser of:

(i) a reasonable provision for uncollectible patron checks received from pari-mutuel pull tab sales; or

(ii) two percent (2%) of the total of all sums, including checks, whether collected or not, less the amount paid out to patrons as winnings for pari-mutuel pull tabs.

For purposes of this section, a counter or personal check that is invalid or unenforceable under this article is considered cash received by the permit holder from pari-mutuel pull tab sales.

SECTION 16. IC 4-31-2-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 11.5. "Pari-mutuel pull tab" means a game offered to the public in which a person who purchases a ticket or simulated ticket has the opportunity to share in a prize pool, multiple prize pools, or a shared prize pool consisting of the total amount wagered in the game minus deductions by the permit holder selling the pari-mutuel pull tab and other deductions either permitted or required by law.**

SECTION 17. IC 4-31-4-1.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1.3. (a) This section does not apply to a person who satisfies all of the following:

(1) The person was issued a satellite facility license before January 2, 1996.

(2) The person operated a satellite facility before January 2, 1996.

(3) The person is currently operating the satellite facility under the license.

(b) A person may not operate under a satellite facility license unless both of the following apply:

(1) The county fiscal body of the county in which the satellite facility will be operated has adopted an ordinance under section 2.5 of this chapter.

(2) The person secures a license under IC 4-31-5.5.

(c) Notwithstanding any other provision of this article, subsection (b)(1) does not apply to a permit holder who:

(1) was issued a permit before January 1, 2002; and

(2) files an application to operate a satellite facility in a county having a consolidated city.

SECTION 18. IC 4-31-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) A county fiscal body may adopt an ordinance permitting the filing of applications under IC 4-31-5 to conduct pari-mutuel wagering on horse races at racetracks in the county. However, before adopting the ordinance, the county fiscal body must:

(1) conduct a public hearing on the proposed ordinance; and

(2) publish notice of the public hearing in the manner prescribed by IC 5-3-1.

(b) The county fiscal body may:

(1) require in the ordinance adopted by the county fiscal body that before applications under IC 4-31-5 to conduct pari-mutuel wagering on horse races at racetracks in the county may be filed, the voters of the county must approve the conducting of horse racing meetings in the county under section 3 of this chapter; or

(2) amend an ordinance already adopted by the county fiscal body to require that before applications under IC 4-31-5 to conduct pari-mutuel wagering on horse races at racetracks in the county may be filed, the voters of the county must approve the conducting of horse racing meetings in the county under section 3 of this chapter.

An ordinance adopted under this section may not be amended to apply to a person who has already been issued a permit under IC 4-31-5 before amendment of the ordinance.

(c) An ordinance adopted under this section authorizing a person to conduct pari-mutuel wagering on horse races at racetracks in the county may not be amended with the intent to restrict a permit holder's ability to sell pari-mutuel pull tabs under IC 4-31-7.5. An ordinance adopted by the county fiscal body

permitting the sale of pari-mutuel pull tabs is not a requirement for the lawful sale of pari-mutuel pull tabs under IC 4-31-7.5.

SECTION 19. IC 4-31-4-2.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2.5. (a) A county fiscal body may adopt an ordinance permitting the filing of applications under IC 4-31-5.5 for operation of a satellite facility in the county. However, before adopting the ordinance, the county fiscal body must:

(1) conduct a public hearing on the proposed ordinance; and

(2) publish notice of the public hearing in the manner prescribed by IC 5-3-1.

(b) The county fiscal body may:

(1) require in the ordinance adopted by the county fiscal body that before applications under IC 4-31-5.5 to operate a satellite facility in the county may be filed, the voters of the county must approve the operation of a satellite facility in the county under section 3 of this chapter; or

(2) amend an ordinance already adopted in the county to require that before applications under IC 4-31-5.5 to operate a satellite facility in the county may be filed, the voters of the county must approve the operation of a satellite facility in the county under section 3 of this chapter.

An ordinance adopted under this section may not be amended to apply to a person who was issued a license under IC 4-31-5.5 before the ordinance was amended.

(c) Notwithstanding any other provision of this article, this section does not apply to a permit holder who:

(1) was issued a permit before January 1, 2002; and

(2) files an application to operate a satellite facility in a county having a consolidated city.

SECTION 20. IC 4-31-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) This section does not apply to either of the following:

(1) A permit holder who satisfies all of the following:

(A) The permit holder was issued a permit before January 2, 1996.

(B) The permit holder conducted live racing before January 2, 1996.

(C) The permit holder is currently operating under the permit.

(2) A person who satisfies all of the following:

(A) The person was issued a satellite facility license before January 2, 1996.

(B) The person operated a satellite facility before January 2, 1996.

(C) The person is currently operating the satellite facility under the license.

(b) This section applies if either of the following apply:

(1) Both of the following are satisfied:

(A) An ordinance is adopted under section 2 or 2.5 of this chapter.

(B) The ordinance requires the voters of the county to approve either of the following:

(i) The conducting of horse racing meetings in the county.

(ii) The operation of a satellite facility in the county.

(2) A local public question is required to be held under section 2.7 of this chapter following the filing of a petition with the circuit court clerk:

(A) signed by at least the number of registered voters of the county required under IC 3-8-6-3 to place a candidate on the ballot; and

(B) requesting that the local public question set forth in subsection (d) be placed on the ballot.

(c) Notwithstanding any other provision of this article, the commission may not issue a recognized meeting permit under IC 4-31-5 to allow the conducting of or the assisting of the conducting of a horse racing meeting unless the voters of the county in which the property is located have approved conducting recognized meetings in the county.

(d) For a local public question required to be held under subsection (c), the county election board shall place the following question on the ballot in the county during the next general election:

"Shall horse racing meetings at which pari-mutuel wagering occurs be allowed in ______________ County?".

(e) Notwithstanding any other provision of this article, the commission may not issue a satellite facility license under IC 4-31-5.5 to operate a satellite facility unless the voters of the county in which the satellite facility will be located approve the operation of the satellite facility in the county.

(f) For a local public question required to be held under subsection (e), the county election board shall place the following question on the ballot in the county during the next general election:

"Shall satellite facilities at which pari-mutuel wagering occurs be allowed in ______________ County?".

(g) A public question under this section must be certified in accordance with IC 3-10-9-3 and shall be placed on the ballot in accordance with IC 3-10-9.

(h) The circuit court clerk of a county holding an election under this chapter shall certify the results determined under IC 3-12-4-9 to the commission and the department of state revenue.

(i) If a public question is placed on the ballot under subsection (d) or (f) in a county and the voters of the county do not vote in favor of the public question, a second public question under that subsection may not be held in the county for at least two (2) years. If the voters of the county vote to reject the public question a second time, a third or subsequent public question under that subsection may not be held in the county until the general election held during the tenth year following the year of the previous public question held under that subsection.

(j) Notwithstanding any other provision of this article, this section does not apply to a permit holder who:

(1) was issued a permit before January 1, 2002; and

(2) files an application to operate a satellite facility in a county having a consolidated city.

SECTION 21. IC 4-31-5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) The commission may not issue a recognized meeting permit unless the applicant has filed with the commission:

(1) a financial statement prepared and certified by a certified public accountant in accordance with sound accounting practices, showing the net worth of the applicant;

(2) a statement from the department of state revenue and the treasurer of state that there are no pari-mutuel taxes or other obligations owed by the applicant to the state or any of its departments or agencies;

(3) a statement from the county treasurer of the county in which the applicant proposes to conduct horse racing meetings that there are no real or personal property taxes owed by any of the principals seeking the permit; and

(4) a statement of obligations that are owed or being contested, including salaries, purses, entry fees, laboratory fees, and debts owed to vendors and suppliers.

(b) In addition to the requirements of subsection (a), the commission may not issue a recognized meeting permit for a recognized meeting to occur in a county unless IC 4-31-4 has been satisfied.

(c) In addition to the requirements of subsections (a) and (b), the commission may not issue a recognized meeting permit for a recognized meeting to occur at a location within thirty (30) linear

miles of a location for which a permit holder has been issued a recognized meeting permit for a recognized meeting to occur.

SECTION 22. IC 4-31-5-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 15. **Except as provided in IC 4-31-7.5,** any fees or penalties collected by the commission under IC 4-31-3-9(1)(E) through IC 4-31-3-9(1)(G) shall be paid into the state general fund.

SECTION 23. IC 4-31-5.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) As used in this section, "live racing day" means a day on which at least eight (8) live horse races are conducted.

(b) The commission's authority to issue satellite facility licenses is subject to the following conditions:

(1) The commission may issue four (4) satellite facility licenses to each permit holder that:

(A) conducts at least one hundred twenty (120) live racing days per year at the racetrack designated in the permit holder's permit; and

(B) meets the other requirements of this chapter and the rules adopted under this chapter.

If a permit holder that operates satellite facilities does not meet the required minimum number of live racing days, the permit holder may not operate the permit holder's satellite facilities during the following year. However, the requirement for one hundred twenty (120) live racing days does not apply if the commission determines that the permit holder is prevented from conducting live horse racing as a result of a natural disaster or other event over which the permit holder has no control. In addition, if the initial racing meeting conducted by a permit holder commences at such a time as to make it impractical to conduct one hundred twenty (120) live racing days during the permit holder's first year of operations, the commission may authorize the permit holder to conduct simulcast wagering during the first year of operations with fewer than one hundred twenty (120) live racing days.

(2) Each proposed satellite facility must be covered by a separate application. The timing for filing an initial application for a satellite facility license shall be established by the rules of the commission.

(3) A satellite facility must:

(A) have full dining service available;

(B) have multiple screens to enable each patron to view simulcast races; and

(C) be designed to seat comfortably a minimum of four hundred (400) persons.

(4) In determining whether a proposed satellite facility should be approved, the commission shall consider the following:

(A) The purposes and provisions of this chapter.

(B) The public interest.

(C) The impact of the proposed satellite facility on live racing.

(D) The impact of the proposed satellite facility on the local community.

(E) The potential for job creation.

(F) The quality of the physical facilities and the services to be provided at the proposed satellite facility.

(G) Any other factors that the commission considers important or relevant to its decision.

(5) The commission may not issue a license for a satellite facility to be located in a county unless IC 4-31-4 has been satisfied.

(6) Not more than one (1) license may be issued to each permit holder to operate a satellite facility located in a county having a consolidated city. The maximum number of licenses that the commission may issue for satellite facilities to be located in a county having a consolidated city is two (2) licenses.

SECTION 24. IC 4-31-5.5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. A permit holder or group of permit holders that is authorized to operate satellite facilities may accept and transmit pari-mutuel wagers on horse racing at those facilities and may engage in all activities necessary to establish and operate appropriate satellite wagering facilities, including the following:

(1) Live simulcasts of horse racing conducted at the permit holder's racetrack or at other racetracks. However, a satellite facility operated by a permit holder may not simulcast races conducted in other states on any day that is not a live racing day (as defined in section 3 of this chapter) unless the satellite facility also simulcasts all available races conducted in Indiana on that day.

(2) Construction or leasing of satellite wagering facilities.

(3) Sale of food and beverages.

(4) Advertising and promotion.

(5) **Sale of pari-mutuel pull tabs authorized under IC 4-31-7.5.**

(6) All other related activities.

SECTION 25. IC 4-31-7-1 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) A person holding a permit to conduct a horse racing meeting or a license to operate a satellite facility may provide a place in the racing meeting grounds or enclosure or the satellite facility at which the person may conduct and supervise the pari-mutuel system of wagering by patrons of legal age on the horse races conducted or simulcast by the person. The person may not permit or use:

(1) another place other than that provided and designated by the person; or

(2) another method or system of betting or wagering.

However, a person holding a permit to conduct a horse racing meeting may permit wagering on pari-mutuel pull tabs at the person's racetrack or satellite facility as permitted by IC 4-31-7.5.

(b) Except as provided in section 7 of this chapter and IC 4-31-5.5, the pari-mutuel system of wagering may not be conducted on any races except the races at the racetrack, grounds, or enclosure for which the person holds a permit.

SECTION 26. IC 4-31-7-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) A person less than eighteen (18) years of age may not wager at a horse racing meeting.

(b) A person less than ~~seventeen (17)~~ **eighteen (18)** years of age may not enter the grandstand, clubhouse, or similar areas of a racetrack at which wagering is permitted unless accompanied by a person who is at least twenty-one (21) years of age.

(c) A person less than eighteen (18) years of age may not enter a satellite facility.

(d) A person less than twenty-one (21) years of age may not enter the part of a satellite facility or racetrack in which pari-mutuel pull tabs are sold and redeemed.

SECTION 27. IC 4-31-7.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 7.5. Pari-Mutuel Pull Tabs

Sec. 1. (a) This chapter applies only to the sale of pari-mutuel pull tabs by a person that holds a permit to conduct a pari-mutuel horse racing meeting issued under IC 4-31-5.

(b) This chapter does not apply to the sale of pull tabs by a qualified organization (as defined in IC 4-32-6-20) under IC 4-32.

Sec. 2. A pari-mutuel pull tab game must be conducted in the following manner:

(1) Each set of tickets must have a predetermined:

(A) total purchase price; and
(B) amount of prizes.
(2) Randomly ordered pari-mutuel pull tab tickets may be distributed from an approved location or from a distribution device to:
(A) the permit holder at the permit holder's racetrack or satellite facility, or both; or
(B) a terminal or device of the permit holder at the permit holder's racetrack or satellite facility, or both.
(3) A pari-mutuel pull tab ticket must be presented to a player in the form of a paper ticket or display on a terminal or device.
(4) Game results must be initially covered or otherwise concealed from view on the pari-mutuel pull tab ticket, terminal, or device so that the number, letter, symbol, or set of numbers, letters, or symbols cannot be seen until the concealing medium is removed.
(5) A winner is identified after the display of the game results when a player removes the concealing medium of the pari-mutuel pull tab ticket or display on a terminal or device.
(6) A winner shall receive the prize or prizes posted or displayed for the game from the permit holder.

Sec. 3. A person less than twenty-one (21) years of age may not purchase a pari-mutuel pull tab ticket.

Sec. 4. The sale price of a pari-mutuel pull tab ticket may not exceed ten dollars ($10).

Sec. 5. (a) The sale, purchase, and redemption of pari-mutuel pull tab tickets are limited to the following locations:
(1) A live pari-mutuel horse racing facility operated by a permit holder under a recognized meeting permit in a county having a population of more than forty-three thousand (43,000) but less than forty-five thousand (45,000).
(2) A satellite facility that is located in a county containing a consolidated city and operated by a permit holder described in subdivision (1).
(3) A live pari-mutuel horse racing facility operated by a permit holder under a recognized meeting permit in a county having a population of more than one hundred thirty thousand (130,000) but less than one hundred forty-five thousand (145,000).
(4) A satellite facility that is located in a county containing a consolidated city and operated by a permit holder described

in subdivision (3).

(b) A permit holder may not install more than:

(1) seven hundred (700) pull tab terminals or devices on the premises of the permit holder's live pari-mutuel horse racing facility; and

(2) seven hundred (700) pull tab terminals or devices on the premises of the permit holder's satellite facility located in a county containing a consolidated city.

(c) Notwithstanding IC 4-31-5.5-3, the Indiana horse racing commission may issue the satellite facility license described in subsection (a)(2) before a permit holder described in subsection (a)(1) commences an initial racing meeting.

(d) If:

(1) the Indiana horse racing commission issues the satellite facility license described in subsection (a)(2) before the permit holder described in subsection (a)(1) commences the initial racing meeting; and

(2) the initial racing meeting is commenced more than one (1) year after the date on which the satellite facility begins operation under the satellite facility license;

the satellite facility license shall be suspended until the commencement of the initial racing meeting.

Sec. 6. The number and amount of the prizes in a pari-mutuel pull tab game must be finite but may not be limited.

Sec. 7. A list of prizes for winning pari-mutuel pull tab tickets must be posted or displayed at a location where the tickets are sold.

Sec. 8. A permit holder may close a pari-mutuel pull tab game at any time.

Sec. 9. A terminal or device selling pari-mutuel pull tab tickets may be operated by a player without the assistance of the permit holder for the sale and redemption of pari-mutuel pull tab tickets.

Sec. 10. A terminal or device selling pari-mutuel pull tab tickets may not dispense coins or currency as prizes for winning tickets. Prizes awarded by a terminal or device must be in the form of credits for additional play or certificates redeemable for cash or prizes.

Sec. 11. (a) The Indiana gaming commission shall adopt rules under IC 4-22-2, including emergency rules under IC 4-22-2-37.1, to implement this chapter, including rules that prescribe:

(1) an approval process for pari-mutuel pull tab games that requires periodic testing of the games and equipment by an independent entity under the oversight of the commission to

ensure the integrity of the games to the public;
(2) a system of internal audit controls;
(3) a method of payment for pari-mutuel pull tab prizes that allows a player to transfer credits from one (1) terminal or device to another;
(4) a method of payment for pari-mutuel pull tab prizes that allows a player to redeem a winning ticket for additional play tickets or credit to permit purchase of additional play tickets;
(5) requirements for a license to sell pari-mutuel pull tabs that a permit holder must obtain from the commission before selling pari-mutuel pull tabs; and
(6) any other procedure or requirement necessary for the efficient and economical operation of the pari-mutuel pull tab games and the convenience of the public.

(b) The Indiana gaming commission may enter into a contract with the Indiana horse racing commission for the provision of services necessary to administer pari-mutuel pull tab games.

Sec. 12. (a) The Indiana gaming commission may issue a license to a permit holder to sell pari-mutuel pull tabs under this chapter at the locations described in section 5 of this chapter.

(b) Before issuing a license to a permit holder under this section, the Indiana gaming commission shall subject the permit holder to a background investigation similar to a background investigation required of an applicant for a riverboat owner's license under IC 4-33-6.

(c) An initial pari-mutuel pull tab license expires five (5) years after the effective date of the license.

(d) Unless the pari-mutuel pull tab license is terminated, expires, or is revoked, the pari-mutuel pull tab license may be renewed annually upon:
(1) the payment of an annual renewal fee determined by the Indiana gaming commission; and
(2) a determination by the Indiana gaming commission that the licensee satisfies the conditions of this chapter.

(e) A permit holder holding a pari-mutuel pull tab license shall undergo a complete investigation every three (3) years to determine that the permit holder remains in compliance with this article.

(f) Notwithstanding subsection (e), the Indiana gaming commission may investigate a permit holder at any time the commission determines it is necessary to ensure that the licensee remains in compliance with this article.

(g) The permit holder shall bear the cost of an investigation or a reinvestigation of the permit holder and any investigation resulting from a potential transfer of ownership.

Sec. 13. The Indiana gaming commission may assess an administrative fee to a permit holder offering pari-mutuel pull tab games in an amount that allows the commission to recover all of the commission's costs of administering the pari-mutuel pull tab games.

Sec. 14. The Indiana gaming commission may not permit the sale of pari-mutuel pull tab tickets in a county where a riverboat is docked.

Sec. 15. All shipments of gambling devices, including pari-mutuel pull tab machines, to permit holders in Indiana, the registering, recording, and labeling of which have been completed by the manufacturer or dealer in accordance with 15 U.S.C. 1171 through 15 U.S.C. 1178, are legal shipments of gambling devices into Indiana.

Sec. 16. Under 15 U.S.C. 1172, approved January 2, 1951, the state of Indiana, acting by and through elected and qualified members of the legislature, declares and proclaims that the state is exempt from 15 U.S.C. 1172.

Sec. 17. The Indiana gaming commission shall regulate and administer the sale, purchase, and redemption of pari-mutuel pull tab tickets under this chapter.

SECTION 28. IC 4-31-7.6 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 7.6. Taxation of Pari-Mutuel Pull Tabs and Fees

Sec. 1. (a) This chapter applies only to the lawful sale of pari-mutuel pull tabs by a person that:

(1) holds a permit to conduct a pari-mutuel horse racing meeting issued under IC 4-31-5; and

(2) is authorized to sell pari-mutuel pull tabs under IC 4-31-7.5.

(b) This chapter does not apply to the sale of pull tabs by a qualified organization (as defined in IC 4-32-6-20) under IC 4-32.

(c) This chapter may not itself be construed to authorize the sale of pari-mutuel pull tabs.

Sec. 2. As used in this chapter, "adjusted gross receipts" means:

(1) the total of all cash and property (including checks received by a permit holder, whether collected or not) received by a permit holder from pari-mutuel pull tab sales;

minus
(2) the total of:
(A) all cash paid out to patrons as winnings for pari-mutuel pull tabs; and
(B) uncollectible pari-mutuel pull tab receivables, not to exceed the lesser of:
(i) a reasonable provision for uncollectible patron checks received from pari-mutuel pull tab sales; or
(ii) two percent (2%) of the total of all sums, including checks, whether collected or not, less the amount paid out to patrons as winnings for pari-mutuel pull tabs.

For purposes of this section, a counter or personal check that is invalid or unenforceable under this article is considered cash received by the permit holder from pari-mutuel pull tab sales.

Sec. 3. (a) A tax is imposed on the adjusted gross receipts received from the sale of pari-mutuel pull tabs authorized under this article at the rate of:
(1) thirty-two and five-tenths percent (32.5%) of the first one hundred fifty million dollars ($150,000,000) of the adjusted gross receipts received during the period beginning July 1 of each year and ending June 30 of the following year; and
(2) thirty-seven and five-tenths percent (37.5%) of the adjusted gross receipts exceeding one hundred fifty million dollars ($150,000,000) received during the period beginning July 1 of each year and ending June 30 of the following year.

For purposes of calculating the amount of taxes imposed under this section each day, a permit holder shall combine the permit holder's adjusted gross receipts received from the sale of pull tabs at the permit holder's racetrack and the permit holder's satellite facility located in a county containing a consolidated city.

(b) The permit holder shall remit the tax imposed by this section to the department before the close of the business day following the day the pari-mutuel pull tabs are sold.

(c) The department may require payment under this section to be made by electronic funds transfer (as defined in IC 4-8.1-2-7(f)).

(d) If the department requires taxes to be remitted under this chapter through electronic funds transfer, the department may allow the permit holder to file a monthly report to reconcile the amounts remitted to the department.

(e) The department may allow taxes remitted under this section to be reported on the same form used for taxes paid under IC 4-31-9.

Sec. 4. (a) The state pull tab wagering fund is established. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) The department shall deposit tax revenue collected under section 3 of this chapter in the state pull tab wagering fund.

(c) Each month, the treasurer of state shall distribute the tax revenue deposited in the state pull tab wagering fund under this section as follows:

(1) Thirty percent (30%) of the tax revenue remitted by each permit holder shall be paid as follows:

(A) In the case of a racetrack that is located in an incorporated area, the amount determined under subsection (d) shall be paid as follows:

(i) Five-sixths (5/6) to the city in which the racetrack from which the tax revenue was collected is located.

(ii) One-sixth (1/6) to the school corporations located in the county in which the racetrack is located. The tax revenue distributed under this item must be divided among the school corporations on a pro rata basis according to each school corporation's ADM (as defined in IC 21-3-1.6-1.1).

(B) In the case of a racetrack that is located in an unincorporated area, the amount determined under subsection (e) shall be paid to the county in which the racetrack from which the tax revenue was collected is located.

(C) In the case of the satellite facilities located in a county containing a consolidated city, the amount determined under subsection (f) shall be paid as follows:

(i) Forty-one and seven-tenths percent (41.7%) to the consolidated city.

(ii) Twenty and eight-tenths percent (20.8%) to the housing trust fund established under IC 36-7-15.1-35.5(e).

(iii) Twelve and five-tenths percent (12.5%) to the county.

(iv) Twenty-five percent (25%) to the school corporations located in the county containing a consolidated city. The tax revenue distributed under this item must be divided among the school corporations on a pro rata basis according to each school corporation's ADM (as defined in IC 21-3-1.6-1.1).

(2) After the distributions required under subdivision (1) are made, the next twenty-six million dollars ($26,000,000) of tax revenue shall be paid to the commission to be distributed as follows:

(A) Two percent (2%) is to be distributed for the support and operation of the following horsemen's associations (as defined in IC 4-31-8-6):

(i) Forty-five percent (45%) of the amount to the horsemen's associations representing the standardbred owners and trainers.

(ii) Forty-five percent (45%) of the amount to the horsemen's associations representing the thoroughbred owners and trainers.

(iii) Ten percent (10%) of the amount to the horsemen's associations representing the quarterhorse owners and trainers.

(B) The remainder is to be distributed, in amounts determined by the commission, for the promotion and operation of horse racing, as follows:

(i) To a breed development fund established by the commission under IC 4-31-11-10.

(ii) To each racetrack that has been approved by the commission under this article. The commission may make a grant under this item only for purses, promotions, and routine operations.

(iii) To county and 4-H fairs for the maintenance and operation of horse racing facilities.

(3) After the distributions required under subdivisions (1) and (2) are made, the remainder of tax revenue remitted by each permit holder shall be paid to the state general fund.

(d) This subsection applies to tax revenues received from a racetrack located in a county having a population of more than one hundred thirty thousand (130,000) but less than one hundred forty-five thousand (145,000). The amount of tax revenues to be paid to the city in which the racetrack is located under subsection (c)(1) is determined under STEP FIVE of the following formula:

STEP ONE: Determine the total amount of tax revenue remitted by the permit holder.

STEP TWO: Determine the amount of revenue received from the racetrack.

STEP THREE: Determine the ratio of the amount of tax revenue received from the racetrack to the total amount of tax

revenue remitted by the permit holder.

STEP FOUR: Multiply the STEP ONE amount by thirty percent (30%).

STEP FIVE: Multiply the STEP FOUR result by the ratio determined under STEP THREE.

(e) This subsection applies to tax revenues received from a racetrack located in a county having a population of more than forty-three thousand (43,000) but less than forty-five thousand (45,000). The amount of tax revenues to be paid to the county under subsection (c)(1) is determined under STEP FIVE of the following formula:

STEP ONE: Determine the total amount of tax revenue remitted by the permit holder.

STEP TWO: Determine the amount of revenue received from the racetrack.

STEP THREE: Determine the ratio of the amount of tax revenue received from the racetrack to the total amount of tax revenue remitted by the permit holder.

STEP FOUR: Multiply the STEP ONE amount by thirty percent (30%).

STEP FIVE: Multiply the STEP FOUR result by the ratio determined under STEP THREE.

(f) This subsection applies to tax revenues received from both satellite facilities located in a county containing a consolidated city. The amount of the tax revenues paid to the consolidated city under subsection (c)(1) is determined under STEP SIX of the following formula:

STEP ONE: Determine the sum of the subsection (d) STEP ONE amount and the subsection (e) STEP ONE amount.

STEP TWO: Determine the sum of the subsection (d) STEP TWO amount and the subsection (e) STEP TWO amount.

STEP THREE: Determine the remainder of the sum determined under STEP ONE minus the sum determined under STEP TWO.

STEP FOUR: Determine the ratio of the amount determined under STEP THREE to the sum determined under STEP ONE.

STEP FIVE: Multiply the sum determined under STEP ONE by thirty percent (30%).

STEP SIX: Multiply the STEP FIVE result by the ratio determined under STEP FOUR.

Sec. 5. (a) As used in this section, "net receipts" means a permit

holder's adjusted gross receipts, minus any taxes paid under section 3 of this chapter.

(b) Beginning January 1 following the second anniversary of the date that the sale of pari-mutuel pull tab tickets begins at a location described in this chapter and every year thereafter, the permit holder shall pay the percentage of the permit holder's net receipts set forth in subsection (c) to the commission for purse money and breed development.

(c) Beginning January 1 of the following years of operation, the purse money and breed development fee is equal to the following percentages of the permit holder's net receipts:

Year 3	**2%**
Year 4	**2%**
Year 5	**5%**
Year 6	**7%**
Year 7	**8%**
Year 8	**9%**
Year 9	**10%**
Year 10 and each year thereafter	**12%**

(d) The commission shall allocate money received under this section to purses and breed development.

Sec. 6. (a) The commission shall annually impose a supplemental fee of two hundred fifty thousand dollars ($250,000) upon each permit holder operating a racetrack under this article.

(b) The annual fee collected from a permit holder operating a racetrack located in a county having a population of more than one hundred thirty thousand (130,000) but less than one hundred forty-five thousand (145,000) must be used for training facilities and capital improvements, including stall improvements.

(c) The annual fee collected from a permit holder operating a racetrack located in a county having a population of more than forty-three thousand (43,000) but less than forty-five thousand (45,000) must be used to promote live racing at county and 4-H fairgrounds.

SECTION 29. IC 4-31-9-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. A person that holds a permit to conduct a horse racing meeting or a license to operate a satellite facility shall withhold:

(1) eighteen percent (18%) of the total of money wagered on each day at the racetrack or satellite facility (including money wagered on exotic wagering pools **but excluding money wagered on**

pari-mutuel pull tabs under IC 4-31-7.5); plus
(2) an additional three and one-half percent (3.5%) of the total of all money wagered on exotic wagering pools on each day at the racetrack or satellite facility.

SECTION 30. IC 4-31-11-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 11. Each development fund consists of:
(1) breakage and outs paid into the fund under IC 4-31-9-10;
(2) appropriations by the general assembly;
(3) gifts;
(4) stakes payments;
(5) entry fees; and
(6) money paid into the fund under ~~IC 4-33-12-6.~~ **IC 4-33-13-5(a)(2)(A).**

SECTION 31. IC 4-32-15-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. An excise tax is imposed on the distribution of pull tabs **(excluding pari-mutuel pull tabs under IC 4-31-7.5),** punchboards, and tip boards in the amount of ten percent (10%) of the wholesale price for the pull tabs, punchboards, and tip boards.

SECTION 32. IC 4-33-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. This article applies only to the following:
(1) Counties contiguous to Lake Michigan.
(2) Counties contiguous to the Ohio River.
(3) ~~Counties contiguous to Patoka Lake.~~ **A historic district that:**
(A) is established under IC 36-7-11;
(B) is located in a county having a population of more than nineteen thousand three hundred (19,300) but less than twenty thousand (20,000); and
(C) consists solely of the real property owned by the historic resort hotels located in:
(i) a town having a population of more than one thousand five hundred (1,500) but less than two thousand two hundred (2,200); and
(ii) a town having a population of less than one thousand five hundred (1,500).

SECTION 33. IC 4-33-2-5.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 5.6. "Cruise" means to depart from the dock while gambling is being conducted.**

SECTION 34. IC 4-33-2-7 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. "Dock" means the location where ~~an excursion~~ **a** riverboat moors for the purpose of embarking passengers for and disembarking passengers from ~~a gambling excursion.~~ **the riverboat.**

SECTION 35. IC 4-33-2-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 11.5. "Historic resort hotel" means a structure originally built as a hotel that contained at least three hundred (300) sleeping rooms on or before January 1, 1930.**

SECTION 36. IC 4-33-2-13.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13.5. "Licensed operating agent" means a person licensed under IC 4-33-6.5 to operate a riverboat in a historic district described in IC 4-33-1-1(3) on behalf of the district's historic preservation commission.**

SECTION 37. IC 4-33-2-14.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 14.5. "Operating agent's license" means a license issued under IC 4-33-6.5 that allows a person to operate a riverboat in a historic district described in IC 4-33-1-1(3) on behalf of the district's historic preservation commission.**

SECTION 38. IC 4-33-2-15.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 15.5. "Patron" means an individual who:**

(1) boards a riverboat; and

(2) is not entitled to receive a tax free pass.

SECTION 39. IC 4-33-2-15.7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 15.7. "Permanently moored vessel" means a vessel that is either:**

(1) a vessel that has previously been issued a United States Coast Guard certificate of inspection and has been removed from navigation; or

(2) a vessel located in a historic district described in IC 4-33-1-1(3) on which lawful gambling is authorized and licensed under this article.

The term does not include a barge.

SECTION 40. IC 4-33-2-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 16. "Person" means an individual, a sole proprietorship, a partnership, an association, a fiduciary, a corporation, a limited liability company, **a historic district,** or any other business entity.

SECTION 41. IC 4-33-2-16.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE] **Sec. 16.3. "Pari-mutuel pull tab" has the meaning set forth in IC 4-31-2-11.5.**

SECTION 42. IC 4-33-2-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 17. "Riverboat" means **either of the following on which lawful gambling is authorized under this article:**

(1) A self-propelled ~~excursion~~ boat located in a county described in ~~IC 4-33-1-1 on which lawful gambling is authorized and licensed under this article.~~ **IC 4-33-1-1(1) or IC 4-33-1-1(2) that complies with IC 4-33-6-6(a).**

(2) A permanently moored vessel.

SECTION 43. IC 4-33-3-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. Each member of the commission is entitled to receive the following:

(1) Salary per diem ~~as provided in IC 4-10-11-2.1(b),~~ **of one hundred dollars ($100)** for each day the member does any of the following:

(A) Attends a meeting of the commission.

(B) Conducts a hearing under this article.

(2) Reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties, as provided in the state travel policies and procedures established by the department of administration and approved by the budget agency.

SECTION 44. IC 4-33-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. The commission shall adopt rules under IC 4-22-2 for the following purposes:

(1) Administering this article.

(2) Establishing the conditions under which riverboat gambling in Indiana may be conducted.

(3) Providing for the prevention of practices detrimental to the public interest and providing for the best interests of riverboat gambling.

~~(4) With respect to riverboats that operate on Patoka Lake, ensuring:~~

~~(A) the prevention of practices detrimental to the natural environment and scenic beauty of Patoka Lake; and~~

~~(B) compliance by licensees and riverboat patrons with the~~

~~requirements of IC 14-26-2-5 and IC 14-28-1.~~
~~(5)~~ **(4)** Establishing rules concerning inspection of riverboats and the review of the permits or licenses necessary to operate a riverboat.
~~(6)~~ **(5)** Imposing penalties for noncriminal violations of this article.
(6) Establishing ethical standards regulating the conduct of members of a historic preservation commission established under IC 36-7-11-4.5 with regard to the selection and licensure of an operating agent to operate a riverboat in a historic district described in IC 4-33-1-1(3).
(7) Establishing the conditions under which the sale, purchase, and redemption of pari-mutuel pull tabs may be conducted under IC 4-31-7.5.

SECTION 45. IC 4-33-4-3, AS AMENDED BY P.L.14-2000, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) The commission shall do the following:
(1) Adopt rules that the commission determines necessary to protect or enhance the following:
(A) The credibility and integrity of gambling operations authorized by this article.
(B) The regulatory process provided in this article.
~~(C) The natural environment and scenic beauty of Patoka Lake.~~
(2) Conduct all hearings concerning civil violations of this article.
(3) Provide for the establishment and collection of license fees and taxes imposed under this article.
(4) Deposit the license fees and taxes in the state gaming fund established by IC 4-33-13.
(5) Levy and collect penalties for noncriminal violations of this article.
(6) Deposit the penalties in the state gaming fund established by IC 4-33-13.
(7) Be present through the commission's inspectors and agents during the time gambling operations are conducted on a riverboat to do the following:
(A) Certify the revenue received by a riverboat.
(B) Receive complaints from the public.
(C) Conduct other investigations into the conduct of the gambling games and the maintenance of the equipment that the commission considers necessary and proper.
~~(D) With respect to riverboats that operate on Patoka Lake,~~

~~ensure compliance with the following:~~
~~(i) IC 14-26-2-6.~~
~~(ii) IC 14-26-2-7.~~
~~(iii) IC 14-28-1.~~

(8) Adopt emergency rules under IC 4-22-2-37.1 if the commission determines that:

(A) the need for a rule is so immediate and substantial that rulemaking procedures under IC 4-22-2-13 through IC 4-22-2-36 are inadequate to address the need; and

(B) an emergency rule is likely to address the need.

(b) The commission shall begin rulemaking procedures under IC 4-22-2-13 through IC 4-22-2-36 to adopt an emergency rule adopted under subsection (a)(8) not later than thirty (30) days after the adoption of the emergency rule under subsection (a)(8).

SECTION 46. IC 4-33-4-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. **If a riverboat cruises,** the commission shall authorize the route of ~~a~~ **the** riverboat and the stops, if any, that the riverboat may make **while on a cruise.**

SECTION 47. IC 4-33-4-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 13. (a) **This section does not apply to a riverboat located in a county having a population of more than nineteen thousand three hundred (19,300) but less than twenty thousand (20,000).**

(b) After consulting with the United States Army Corps of Engineers, the commission may do the following:

(1) Determine the waterways that are navigable waterways for purposes of this article.

(2) Determine the navigable waterways that are suitable for the operation of riverboats under this article.

~~(b)~~ **(c)** In determining the navigable waterways on which riverboats may operate, the commission shall do the following:

(1) Obtain any required approvals from the United States Army Corps of Engineers for the operation of riverboats on those waterways.

(2) Consider the economic benefit that riverboat gambling provides to Indiana.

(3) Seek to ensure that all regions of Indiana share in the economic benefits of riverboat gambling.

~~(4) Considering IC 14-26-2-6, IC 14-26-2-7, and IC 14-28-1, conduct a feasibility study concerning:~~

~~(A) the environmental impact of the navigation and docking of riverboats upon Patoka Lake; and~~

~~(B) the impact of the navigation and docking of riverboats upon the scenic beauty of Patoka Lake.~~

SECTION 48. IC 4-33-4-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 15. The commission shall annually do the following:

(1) Review the patterns of wagering and wins and losses by persons on riverboat gambling operations under this article.

(2) Make recommendations to the governor and the general assembly concerning whether limits on wagering losses should be imposed.

~~(3) Examine the impact on the natural environment and scenic beauty of Patoka Lake made by the navigation and docking of riverboats.~~

SECTION 49. IC 4-33-4-21.2, AS AMENDED BY P.L.215-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 21.2. (a) The Indiana gaming commission shall require a licensed owner to conspicuously display the number of the toll free telephone line described in ~~IC 4-33-12-6~~ **IC 4-33-13-5(d)** in the following locations:

(1) On each admission ticket to a riverboat ~~gambling excursion.~~ **if tickets are issued.**

(2) On a poster or placard that is on display in a public area of each riverboat where gambling games are conducted.

(b) The toll free telephone line described in ~~IC 4-33-12-6~~ **IC 4-33-13-5(d)** must be:

(1) maintained by the division of mental health and addiction under IC 12-23-1-6; and

(2) funded by the addiction services fund established by IC 12-23-2-2.

(c) The commission may adopt rules under IC 4-22-2 necessary to carry out this section.

SECTION 50. IC 4-33-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. (a) The commission may issue to a person a license to own ~~one (1)~~ **a** riverboat subject to the numerical and geographical limitation of owner's licenses under this section, **section 3.5 of this chapter,** and IC 4-33-4-17. However, not more than eleven (11) owner's licenses may be in effect at any time. Except as provided in subsection (b), those eleven (11) licenses are as follows:

(1) Two (2) licenses for a riverboat that operates from the largest city located in the counties described under IC 4-33-1-1(1).

(2) One (1) license for a riverboat that operates from the second

largest city located in the counties described under IC 4-33-1-1(1).

(3) One (1) license for a riverboat that operates from the third largest city located in the counties described under IC 4-33-1-1(1).

(4) One (1) license for a city located in the counties described under IC 4-33-1-1(1). This license may not be issued to a city described in subdivisions (1) through (3).

(5) A total of five (5) licenses for riverboats that operate upon the Ohio River from counties described under IC 4-33-1-1(2). The commission may not issue a license to an applicant if the issuance of the license would result in more than one (1) riverboat operating from a county described in IC 4-33-1-1(2).

(6) One (1) license for a riverboat that operates ~~upon Patoka Lake from a county~~ **in a historic district** described under IC 4-33-1-1(3).

(b) If a city described in subsection (a)(2) or (a)(3) conducts two (2) elections under section 20 of this chapter and the voters of the city do not vote in favor of permitting riverboat gambling at either of those elections, the license assigned to that city under subsection (a)(2) or (a)(3) may be issued to any city that:

(1) does not already have a riverboat operating from the city; and

(2) is located in a county described in IC 4-33-1-1(1).

SECTION 51. IC 4-33-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) A person applying for an owner's license under this chapter must pay a nonrefundable application fee to the commission. The commission shall determine the amount of the application fee. **However, the historic district described in IC 4-33-1-1(3) or a member of the district's historic preservation commission is not required to pay the fee charged under this subsection.**

(b) An applicant must submit the following on forms provided by the commission:

(1) If the applicant is an individual, two (2) sets of the individual's fingerprints.

(2) If the applicant is not an individual, two (2) sets of fingerprints for each officer and director of the applicant.

(c) The commission shall review the applications for an owner's license under this chapter and shall inform each applicant of the commission's decision concerning the issuance of the owner's license.

(d) The costs of investigating an applicant for an owner's license under this chapter shall be paid from the application fee paid by the applicant.

(e) An applicant for an owner's license under this chapter must pay all additional costs that are:

(1) associated with the investigation of the applicant; and

(2) greater than the amount of the application fee paid by the applicant.

(f) The commission shall recoup all the costs associated with investigating or reinvestigating an applicant that is a member of a historic preservation commission described in subsection (a) by imposing a special investigation fee upon the historic preservation commission's licensed operating agent.

SECTION 52. IC 4-33-6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. The commission may not issue an owner's license under this chapter to a person if:

(1) the person has been convicted of a felony under Indiana law, the laws of any other state, or laws of the United States;

(2) the person has knowingly or intentionally submitted an application for a license under this chapter that contains false information;

(3) the person is a member of the commission;

(4) the person is an officer, a director, or a managerial employee of a person described in subdivision (1) or (2);

(5) the person employs an individual who:

(A) is described in subdivision (1), (2), or (3); and

(B) participates in the management or operation of gambling operations authorized under this article;

(6) the person owns an ownership interest of more than ~~ten percent (10%) in more than one (1) other person holding an owner's license issued under~~ **the total amount of ownership interest permitted under section 3.5 of** this chapter; or

(7) a license issued to the person:

(A) under this article; or

(B) to own or operate gambling facilities in another jurisdiction;

has been revoked.

SECTION 53. IC 4-33-6-3.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 3.5. (a) For purposes of this section, a person is considered to have an ownership interest in a riverboat owner's license if the interest is owned directly or indirectly by the person or by an entity controlled by the person.**

(b) For purposes of this section, a person is considered to have

an ownership interest in a riverboat license if the person is under contract to be the licensed operating agent for the riverboat.

(c) A person may have up to a one hundred percent (100%) ownership interest in not more than two (2) riverboat licenses issued under this chapter.

(d) A person may not have an ownership interest in more than two (2) riverboat owner's licenses issued under this chapter.

(e) This section may not be construed to increase the maximum number of licenses permitted under section 1 of this chapter or the number of riverboats that may be owned and operated under a license under section 10 of this chapter.

(f) If a person:

(1) has an ownership interest in a riverboat; and

(2) manages a pari-mutuel pull tab facility under IC 4-31-7.5;

the person may not have an ownership interest in any other riverboat.

SECTION 54. IC 4-33-6-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. **(a) This section does not apply to a riverboat located in a historic district described in IC 4-33-1-1(3).**

(b) In an application for an owner's license, the applicant must state the dock at which the riverboat is based and the navigable waterway on which the riverboat will operate.

SECTION 55. IC 4-33-6-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) **Except as provided in subsection (d),** a riverboat that operates in a county described in IC 4-33-1-1(1) or IC 4-33-1-1(2) must:

(1) have a valid certificate of inspection from the United States Coast Guard for the carrying of at least five hundred (500) passengers; and

(2) be at least one hundred fifty (150) feet in length.

(b) A riverboat that operates ~~on Patoka Lake~~ **in a county described under IC 4-33-1-1(3)** must:

(1) have the capacity to carry at least five hundred (500) passengers;

(2) be at least one hundred fifty (150) feet in length; and

(3) meet safety standards required by the commission.

(c) This subsection applies only to a riverboat that operates on the Ohio River. A riverboat must replicate, as nearly as possible, historic Indiana steamboat passenger vessels of the nineteenth century. However, steam propulsion or overnight lodging facilities are not required under this subsection.

(d) A riverboat may become a permanently moored vessel if, upon application to the commission, the commission determines that it is in the best interests of the state and not detrimental to the riverboat gaming industry. A permanently moored vessel is not required to have a valid certificate of inspection from the United States Coast Guard but must comply with all terms and conditions required by the commission for the safety of the passengers and crew.

SECTION 56. IC 4-33-6-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. If the commission determines that a person is eligible under this chapter for an owner's license, the commission may issue an owner's license to the person if:

(1) the person pays an initial license fee of twenty-five thousand dollars ($25,000); and

(2) the person posts a bond as required in section 9 of this chapter.

However, the historic district described in IC 4-33-1-1(3) or a member of the district's historic preservation commission is not required to pay the fee charged under this section.

SECTION 57. IC 4-33-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) **Except as provided in subsection (l),** a licensed owner must post a bond with the commission at least sixty (60) days before the commencement of ~~regular~~ **gambling on the** riverboat. ~~excursions.~~

(b) The bond shall be furnished in:

(1) cash or negotiable securities;

(2) a surety bond:

(A) with a surety company approved by the commission; and

(B) guaranteed by a satisfactory guarantor; or

(3) an irrevocable letter of credit issued by a banking institution of Indiana acceptable to the commission.

(c) If a bond is furnished in cash or negotiable securities, the principal shall be placed without restriction at the disposal of the commission, but income inures to the benefit of the licensee.

(d) The bond:

(1) is subject to the approval of the commission;

(2) must be in an amount that the commission determines will adequately reflect the amount that a local community will expend for infrastructure and other facilities associated with a riverboat operation; and

(3) must be payable to the commission as obligee for use in

payment of the licensed owner's financial obligations to the local community, the state, and other aggrieved parties, as determined by the rules of the commission.

(e) If after a hearing (after at least five (5) days written notice) the commission determines that the amount of a licensed owner's bond is insufficient, the licensed owner shall upon written demand of the commission file a new bond.

(f) The commission may require a licensed owner to file a new bond with a satisfactory surety in the same form and amount if:

(1) liability on the old bond is discharged or reduced by judgment rendered, payment made, or otherwise; or

(2) in the opinion of the commission any surety on the old bond becomes unsatisfactory.

(g) If a new bond obtained under subsection (e) or (f) is unsatisfactory, the commission shall cancel the owner's license. If the new bond is satisfactorily furnished, the commission shall release in writing the surety on the old bond from any liability accruing after the effective date of the new bond.

(h) A bond is released on the condition that the licensed owner remains at the site for which the owner's license is granted for the lesser of:

(1) five (5) years; or

(2) the date the commission grants a license to another licensed owner to operate from the site for which the bond was posted.

(i) A licensed owner who does not meet the requirements of subsection (h) forfeits a bond filed under this section. The proceeds of a bond that is in default under this subsection are paid to the commission for the benefit of the local unit from which the riverboat operated.

(j) The total and aggregate liability of the surety on a bond is limited to the amount specified in the bond and the continuous nature of the bond may in no event be construed as allowing the liability of the surety under a bond to accumulate for each successive approval period during which the bond is in force.

(k) A bond filed under this section is released sixty (60) days after:

(1) the time has run under subsection (h); and

(2) a written request is submitted by the licensed owner.

(l) The historic district described in IC 4-33-1-1(3) or a member of the district's historic preservation commission is not required to post the bond required under this section.

SECTION 58. IC 4-33-6-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) An owner's license issued under this chapter permits the holder to own and operate one (1) riverboat and equipment for each license.

(b) **An owner's license issued under this chapter permits the holder to:**

(1) conduct gambling games authorized under this article while the riverboat is cruising or docked;

(2) allow the continuous ingress and egress of passengers for purposes of gambling; and

(3) conduct gambling games authorized under this article on a permanently moored vessel upon the approval of the commission under section 6 of this chapter.

(c) An owner's license issued under this chapter must specify the place where the riverboat must operate and dock. However, the commission may permit the riverboat to dock at a temporary dock in the applicable city for a specific period of time not to exceed one (1) year after the owner's license is issued.

~~(c)~~ **(d)** An owner's initial license expires five (5) years after the effective date of the license.

SECTION 59. IC 4-33-6-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. The commission may revoke an owner's license if:

(1) the licensee begins regular ~~riverboat excursions~~ **operations** more than twelve (12) months after receiving the commission's approval of the application for the license; and

(2) the commission determines that the revocation of the license is in the best interests of Indiana.

SECTION 60. IC 4-33-6-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) Unless the owner's license is terminated, expires, or is revoked, the owner's license may be renewed annually upon:

(1) the payment of a five thousand dollar ($5,000) annual renewal fee; and

(2) a determination by the commission that the licensee satisfies the conditions of this article.

However, the historic district described in IC 4-33-1-1(3) or a member of the district's historic preservation commission is not required to pay the fee charged under this section.

(b) A licensed owner shall undergo a complete investigation every three (3) years to determine that the licensed owner remains in compliance with this article.

(c) Notwithstanding subsection (b), the commission may investigate a licensed owner at any time the commission determines it is necessary to ensure that the licensee remains in compliance with this article.

(d) The licensed owner shall bear the cost of an investigation or reinvestigation of the licensed owner and any investigation resulting from a potential transfer of ownership.

(e) The commission shall recoup all of the costs associated with investigating or reinvestigating a member of a historic preservation commission described in subsection (a) by imposing a special investigation fee upon the historic preservation commission's licensed operating agent.

SECTION 61. IC 4-33-6-19 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 19. (a) This section applies to:

(1) a county contiguous to the Ohio River;

~~(2) a county contiguous to Patoka Lake;~~ and

~~(3)~~ **(2)** a county contiguous to Lake Michigan that has a population of less than four hundred thousand (400,000).

(b) Notwithstanding any other provision of this article, the commission may not issue a license under this article to allow a riverboat to operate in the county unless the voters of the county have approved the conducting of gambling games on riverboats in the county.

(c) If the docking of a riverboat in the county is approved by an ordinance adopted under section 18 of this chapter, or if at least the number of the registered voters of the county required under IC 3-8-6-3 for a petition to place a candidate on the ballot sign a petition submitted to the circuit court clerk requesting that a local public question concerning riverboat gaming be placed on the ballot, the county election board shall place the following question on the ballot in the county during the next general election:

"Shall licenses be issued to permit riverboat gambling in ____ County?".

(d) A public question under this section shall be placed on the ballot in accordance with IC 3-10-9 and must be certified in accordance with IC 3-10-9-3.

(e) The clerk of the circuit court of a county holding an election under this chapter shall certify the results determined under IC 3-12-4-9 to the commission and the department of state revenue.

(f) If a public question under this section is placed on the ballot in a county and the voters of the county do not vote in favor of permitting riverboat gambling under this article, a second public question under this section may not be held in that county for at least two (2) years. If the voters of the county vote to reject riverboat gambling a second time, a third or subsequent public question under this section may not be held in that county until the general election held during the tenth year following the year that the previous public question was placed on the ballot.

SECTION 62. IC 4-33-6-19.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 19.5. (a) This section applies to a county having a population of more than nineteen thousand three hundred (19,300) but less than twenty thousand (20,000).**

(b) The commission may issue only one (1) license under this article to allow a riverboat to operate in the county within a historic district established under IC 36-7-11.

(c) The commission may not issue a license under this article to allow a riverboat to operate in the county unless the voters of:

(1) a town having a population of more than one thousand five hundred (1,500) but less than two thousand two hundred (2,200) located in the county; and

(2) a town having a population of less than one thousand five hundred (1,500) located in the county;

have approved gambling on riverboats in the county.

(d) If at least the number of registered voters of the town required under IC 3-8-6-3 for a petition to place a candidate on the ballot sign a petition submitted to the clerk of the circuit court requesting that a local public question concerning riverboat gambling be placed on the ballot, the county election board shall place the following question on the ballot in the town described in subsection (c) during the next primary or general election or a special election held under this section:

"Shall a license be issued to allow riverboat gambling in the town of ____________?".

(e) A public question under this section shall be placed on the ballot in accordance with IC 3-10-9.

(f) If a public question is placed on the ballot under this section and the voters of the town do not vote in favor of allowing riverboat gambling under IC 4-33, another public question regarding riverboat gambling may not be held in the town for at least two (2) years.

(g) In a special election held under this section:

(1) IC 3 applies, except as otherwise provided in this section; and

(2) at least as many precinct polling places as were used in the towns described in subsection (c) during the most recent

municipal election must be used for the special election.

(h) The clerk of the circuit court of a county holding an election under this section shall certify the results determined under IC 3-12-4-9 to the commission and the department of state revenue.

SECTION 63. IC 4-33-6-21 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 21. A licensed owner or a licensed operating agent may not increase the number of gambling devices in operation on board the licensed owner's riverboat unless, upon application to the commission, the commission determines that the increase is:**

(1) in the best interest of the state and the community in which the riverboat is located;

(2) not detrimental to the riverboat gaming industry or the riverboat operation requesting the increase; and

(3) within the financial capacity of the licensed owner.

SECTION 64. IC 4-33-6.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 6.5. Riverboat Operating Agent's License

Sec. 1. This chapter applies only to a riverboat operated under a license described in IC 4-33-6-1(a)(6).

Sec. 2. (a) A person applying for an operating agent's license under this chapter must pay a nonrefundable application fee to the commission. The commission shall determine the amount of the application fee.

(b) An applicant must submit the following on forms provided by the commission:

(1) If the applicant is an individual, two (2) sets of the individual's fingerprints.

(2) If the applicant is not an individual, two (2) sets of fingerprints for each officer and director of the applicant.

(c) The commission shall review the applications for a license under this chapter and shall inform each applicant of the commission's decision concerning the issuance of the license.

(d) The costs of investigating an applicant for a license under this chapter shall be paid from the application fee paid by the applicant.

(e) An applicant for a license under this chapter must pay all additional costs that are:

(1) associated with the investigation of the applicant; and

(2) greater than the amount of the application fee paid by the

applicant.

Sec. 3. The commission may not issue an operating agent's license under this chapter to a person if:

(1) the person has been convicted of a felony under Indiana law, the laws of any other state, or laws of the United States;

(2) the person has knowingly or intentionally submitted an application for a license under this chapter that contains false information;

(3) the person is a member of the commission;

(4) the person is an officer, a director, or a managerial employee of a person described in subdivision (1) or (2);

(5) the person employs an individual who:

(A) is described in subdivision (1), (2), or (3); and

(B) participates in the management or operation of gambling operations authorized under this article;

(6) the person owns an ownership interest of more than the total amount of ownership interests permitted under IC 4-33-6-3.5; or

(7) a license issued to the person:

(A) under this article; or

(B) to own or operate gambling facilities in another jurisdiction;

has been revoked.

Sec. 4. In determining whether to grant an operating agent's license to an applicant, the commission shall consider the following:

(1) The character, reputation, experience, and financial integrity of the following:

(A) The applicant.

(B) A person that:

(i) directly or indirectly controls the applicant; or

(ii) is directly or indirectly controlled by the applicant or by a person that directly or indirectly controls the applicant.

(2) The facilities or proposed facilities for the conduct of riverboat gambling in a historic district described in IC 4-33-1-1(3).

(3) The highest prospective total revenue to be collected by the state from the conduct of riverboat gambling.

(4) The good faith affirmative action plan of each applicant to recruit, train, and upgrade minorities in all employment classifications.

(5) The financial ability of the applicant to purchase and maintain adequate liability and casualty insurance.

(6) If the applicant has adequate capitalization to operate a riverboat for the duration of the license.

(7) The extent to which the applicant exceeds or meets other standards adopted by the commission.

Sec. 5. If the commission determines that a person is eligible under this chapter for an operating agent's license, the commission may issue an operating agent's license to the person if:

(1) the person pays an initial license fee of twenty-five thousand dollars ($25,000); and

(2) the person posts a bond as required in section 6 of this chapter.

Sec. 6. (a) A licensed operating agent must post a bond with the commission at least sixty (60) days before the commencement of regular riverboat operations in the historic district described in IC 4-33-1-1(3).

(b) The bond shall be furnished in:

(1) cash or negotiable securities;

(2) a surety bond:

(A) with a surety company approved by the commission; and

(B) guaranteed by a satisfactory guarantor; or

(3) an irrevocable letter of credit issued by a banking institution of Indiana acceptable to the commission.

(c) If a bond is furnished in cash or negotiable securities, the principal shall be placed without restriction at the disposal of the commission, but income inures to the benefit of the licensee.

(d) The bond:

(1) is subject to the approval of the commission; and

(2) must be payable to the commission as obligee for use in payment of the riverboat's financial obligations to the local community, the state, and other aggrieved parties, as determined by the rules of the commission.

(e) If after a hearing (after at least five (5) days written notice) the commission determines that the amount of a licensed operating agent's bond is insufficient, the operating agent shall, upon written demand of the commission, file a new bond.

(f) The commission may require a licensed operating agent to file a new bond with a satisfactory surety in the same form and amount if:

(1) liability on the old bond is discharged or reduced by

judgment rendered, payment made, or otherwise; or

(2) in the opinion of the commission any surety on the old bond becomes unsatisfactory.

(g) If a new bond obtained under subsection (e) or (f) is unsatisfactory, the commission shall cancel the operating agent's license. If the new bond is satisfactorily furnished, the commission shall release in writing the surety on the old bond from any liability accruing after the effective date of the new bond.

(h) A bond is released on the condition that the licensed operating agent remains at the site of the riverboat operating within a historic district:

(1) for five (5) years; or

(2) until the date the commission grants a license to another operating agent to operate from the site for which the bond was posted;

whichever occurs first.

(i) An operating agent who does not meet the requirements of subsection (h) forfeits a bond filed under this section. The proceeds of a bond that is in default under this subsection are paid to the commission for the benefit of the local unit from which the riverboat operated.

(j) The total liability of the surety on a bond is limited to the amount specified in the bond, and the continuous nature of the bond may not be construed as allowing the liability of the surety under a bond to accumulate for each successive approval period during which the bond is in force.

(k) A bond filed under this section is released sixty (60) days after:

(1) the time specified under subsection (h); and

(2) a written request is submitted by the operating agent.

Sec. 7. (a) Unless the operating agent's license is terminated, expires, or is revoked, the operating agent's license may be renewed annually upon:

(1) the payment of a five thousand dollar ($5,000) annual renewal fee; and

(2) a determination by the commission that the licensee satisfies the conditions of this article.

(b) An operating agent shall undergo a complete investigation every three (3) years to determine that the operating agent remains in compliance with this article.

(c) Notwithstanding subsection (b), the commission may investigate an operating agent at any time the commission

determines it is necessary to ensure that the licensee remains in compliance with this article.

(d) The operating agent shall bear the cost of an investigation or a reinvestigation of the operating agent.

Sec. 8. A license issued under this chapter permits the holder to operate a riverboat on behalf of the licensed owner of the riverboat.

Sec. 9. An operating agent licensed under this chapter is charged with all the duties imposed upon a licensed owner under this article, including the collection and remission of taxes under IC 4-33-13.

SECTION 65. IC 4-33-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. A person may not receive a supplier's license if:

(1) the person has been convicted of a felony under Indiana law, the laws of any other state, or laws of the United States;

(2) the person has knowingly or intentionally submitted an application for a license under this chapter that contains false information;

(3) the person is a member of the commission;

(4) the person is an officer, a director, or a managerial employee of a person described in subdivision (1) or (2);

(5) the person employs an individual who:

(A) is described in subdivision (1), (2), or (3); and

(B) participates in the management or operation of gambling operations authorized under this article;

(6) the person owns more than a ten percent (10%) ownership interest in any other person holding an owner's license issued under this ~~chapter;~~ **article;** or

(7) a license issued to the person:

(A) under this article; or

(B) to supply gaming supplies in another jurisdiction;

has been revoked.

SECTION 66. IC 4-33-7.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 7.5. Pari-Mutuel Pull Tab Suppliers

Sec. 1. The commission may issue a supplier's license under this chapter to a person if:

(1) the person has:

(A) applied for the supplier's license;

(B) paid a nonrefundable application fee set by the

commission;
(C) paid a five thousand dollar ($5,000) annual license fee; and
(D) submitted on forms provided by the commission:
(i) if the applicant is an individual, two (2) sets of the individual's fingerprints; and
(ii) if the applicant is not an individual, two (2) sets of fingerprints for each officer and director of the applicant; and
(2) the commission has determined that the applicant is eligible for a supplier's license.

Sec. 2. (a) A person holding a supplier's license may sell, lease, and contract to sell or lease pari-mutuel pull tab terminals and devices to a permit holder authorized to sell and redeem pari-mutuel pull tab tickets under IC 4-31-7.5.

(b) Pari-mutuel pull tab terminals and devices may not be distributed unless the terminals and devices conform to standards adopted by the commission.

Sec. 3. A person may not receive a supplier's license if:
(1) the person has been convicted of a felony under Indiana law, the laws of any other state, or laws of the United States;
(2) the person has knowingly or intentionally submitted an application for a license under this chapter that contains false information;
(3) the person is a member of the commission;
(4) the person is an officer, a director, or a managerial employee of a person described in subdivision (1) or (2);
(5) the person employs an individual who:
(A) is described in subdivision (1), (2), or (3); and
(B) participates in the management or operation of gambling operations authorized under this article;
(6) the person owns more than a ten percent (10%) ownership interest in any other person holding a permit issued under IC 4-31; or
(7) a license issued to the person:
(A) under this article; or
(B) to supply gaming supplies in another jurisdiction;
has been revoked.

Sec. 4. A person may not furnish pari-mutuel pull tab terminals or devices to a permit holder unless the person possesses a supplier's license.

Sec. 5. (a) A supplier shall furnish to the commission a list of all

pari-mutuel pull tab terminals and devices offered for sale or lease in connection with the sale of pari-mutuel pull tab tickets authorized under IC 4-31-7.5.

(b) A supplier shall keep books and records for the furnishing of pari-mutuel pull tab terminals and devices to permit holders separate from books and records of any other business operated by the supplier.

(c) A supplier shall file a quarterly return with the commission listing all sales and leases.

(d) A supplier shall permanently affix the supplier's name to all of the supplier's pari-mutuel pull tab terminals or devices provided to permit holders under this chapter.

Sec. 6. A supplier's pari-mutuel pull tab terminals or devices that are used by a person in an unauthorized gambling operation shall be forfeited to the state.

Sec. 7. Pari-mutuel pull tab terminals and devices that are provided by a supplier may be:

(1) repaired on the premises of a racetrack or satellite facility; or

(2) removed for repair from the premises of a permit holder to a facility owned by the permit holder.

Sec. 8. (a) Unless a supplier's license is suspended, expires, or is revoked, the supplier's license may be renewed annually upon:

(1) the payment of a five thousand dollar ($5,000) annual renewal fee; and

(2) a determination by the commission that the licensee is in compliance with this article.

(b) The holder of a supplier's license shall undergo a complete investigation every three (3) years to determine that the licensee is in compliance with this article.

(c) Notwithstanding subsection (b), the commission may investigate the holder of a supplier's license at any time the commission determines it is necessary to ensure that the licensee is in compliance with this article.

(d) The holder of a supplier's license shall bear the cost of an investigation or reinvestigation of the licensee and any investigation resulting from a potential transfer of ownership.

SECTION 67. IC 4-33-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. (a) An application for an occupational license must:

(1) be made on forms prescribed by the commission; and

(2) contain all information required by the commission.

(b) An applicant for an occupational license must provide the following information in the application:

(1) If the applicant has held other licenses relating to gambling.

(2) If the applicant has been licensed in any other state under any other name. The applicant must provide under this subdivision the name under which the applicant was licensed in the other state.

(3) The applicant's age.

(4) If a permit or license issued to the applicant in another state has been suspended, restricted, or revoked. The applicant must describe the date and length of a suspension, restriction, or revocation described in this subdivision.

(c) The information contained in an application for an occupational license may be confidential except for the following:

(1) The first and last name of the applicant.

(2) The age of the applicant.

(3) The city and state of the applicant's residence.

(4) The occupational license number.

(5) The applicant's business address.

(6) The applicant's business telephone number.

(7) The level of license for which the applicant has applied.

(8) The employment position for which the applicant has applied.

SECTION 68. IC 4-33-8-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 11. (a) An individual who is disqualified under section 3(2) of this chapter due to a conviction for a felony may apply to the commission for a waiver of the requirements of section 3(2) of this chapter.

(b) The commission may waive **during a public meeting** the requirements of section 3(2) of this chapter with respect to an individual applying for an occupational license if:

(1) the individual qualifies for a waiver under subsection (e) or (f); and

(2) the commission determines that the individual has demonstrated by clear and convincing evidence the individual's rehabilitation.

(c) In determining whether the individual applying for the occupational license has demonstrated rehabilitation under subsection (b), the commission shall consider the following factors:

(1) The nature and duties of the position applied for by the individual.

(2) The nature and seriousness of the offense or conduct.

(3) The circumstances under which the offense or conduct

occurred.

(4) The date of the offense or conduct.

(5) The age of the individual when the offense or conduct was committed.

(6) Whether the offense or conduct was an isolated or a repeated incident.

(7) A social condition that may have contributed to the offense or conduct.

(8) Evidence of rehabilitation, including good conduct in prison or in the community, counseling or psychiatric treatment received, acquisition of additional academic or vocational education, successful participation in a correctional work release program, or the recommendation of a person who has or has had the individual under the person's supervision.

(9) The complete criminal record of the individual.

(10) The prospective employer's written statement that:

(A) the employer has been advised of all of the facts and circumstances of the individual's criminal record; and

(B) after having considered the facts and circumstances, the prospective employer will hire the individual if the commission grants a waiver of the requirements of section 3(2) of this chapter.

(d) The commission may not waive the requirements of section 3(2) of this chapter for an individual who has been convicted of committing any of the following:

(1) A felony in violation of federal law (as classified in 18 U.S.C. 3559).

(2) A felony of fraud, deceit, or misrepresentation under the laws of Indiana or any other jurisdiction.

(3) A felony of conspiracy to commit a felony described in subdivision (1), (2), or (4) under the laws of Indiana or any other jurisdiction.

(4) A felony of gambling under IC 35-45-5 or IC 35-45-6 or a crime in any other jurisdiction in which the elements of the crime for which the conviction was entered are substantially similar to the elements of a crime described in IC 35-45-5 or IC 35-45-6.

(e) The commission may waive the requirements of section 3(2) of this chapter for an individual if:

(1) the individual has been convicted of committing:

(A) a felony described in IC 35-42 against another human being or a felony described in IC 35-48-4;

(B) a felony under Indiana law that results in bodily injury,

serious bodily injury, or death to another human being; or
(C) a crime in any other jurisdiction in which the elements of the crime for which the conviction was entered are substantially similar to the elements of a felony described in clause (A) or (B); and
(2) ten (10) years have elapsed from the date the individual was discharged from probation, imprisonment, or parole, whichever is later, for the conviction described in subdivision (1).

(f) The commission may waive the requirements of section 3(2) of this chapter for an individual if:
(1) the individual has been convicted in Indiana or any other jurisdiction of committing a felony not described in subsection (d) or (e); and
(2) five (5) years have elapsed from the date the individual was discharged from probation, imprisonment, or parole, whichever is later, for the conviction described in subdivision (1).

(g) To enable a prospective employer to determine, for purposes of subsection (c)(10), whether the prospective employer has been advised of all of the facts and circumstances of the individual's criminal record, the commission shall notify the prospective employer of all information that the commission:
(1) has obtained concerning the individual; and
(2) is authorized to release under IC 5-14.

(h) The commission shall deny the individual's request to waive the requirements of section 3(2) of this chapter if the individual fails to disclose to both the commission and the prospective employer all information relevant to this section.

SECTION 69. IC 4-33-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Except as provided in subsection (b), **a** riverboat ~~excursions~~ **cruise** may not exceed four (4) hours for a round trip.

(b) Subsection (a) does not apply to an extended cruise that is expressly approved by the commission.

SECTION 70. IC 4-33-9-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 14. (a) This section applies only to a riverboat that operates from a county that is contiguous to the Ohio River.

(b) A ~~gambling~~ ~~excursion~~ **cruise** is permitted only when the navigable waterway for which the riverboat is licensed is navigable, as determined by the commission in consultation with the United States Army Corps of Engineers.

SECTION 71. IC 4-33-9-15 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 15. (a) All tokens, chips, or electronic cards that are used to make wagers must be purchased from the owner of the riverboat:

(1) while on board the riverboat; or

(2) at an on-shore facility that:

(A) has been approved by the commission; and

(B) is located where the riverboat docks.

(b) The tokens, chips, or electronic cards may be purchased by means of an agreement under which the owner extends credit to the patron.

(c) A licensed owner may not seek treble damages in an action to collect a gambling debt incurred under this section.

SECTION 72. IC 4-33-10-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a)** A person who knowingly or intentionally:

(1) makes a false statement on an application submitted under this article;

(2) operates a ~~gambling~~ ~~excursion~~ **riverboat** in which wagering is conducted or is to be conducted in a manner other than the manner required under this article;

(3) permits a person less than twenty-one (21) years of age to make a wager;

(4) wagers or accepts a wager at a location other than a riverboat; ~~or~~

(5) makes a false statement on an application submitted to the commission under this article **or under IC 4-31-7.5;**

(6) aids, induces, or causes a person less than twenty-one (21) years of age who is not an employee of the riverboat gambling operation to enter or attempt to enter a riverboat; or

(7) aids, induces, or causes a person less than twenty-one (21) years of age who is not an employee of a pari-mutuel pull tab operation licensed under IC 4-31-7.5 to enter or attempt to enter the pari-mutuel pull tab operation;

commits a Class A misdemeanor.

(b) A person who:

(1) is not an employee of the riverboat operation;

(2) is less than twenty-one (21) years of age; and

(3) knowingly or intentionally enters or attempts to enter a riverboat;

commits a Class A misdemeanor.

(c) A person who:

(1) is not an employee of a pari-mutuel pull tab operation

licensed under IC 4-31;

(2) is less than twenty-one (21) years of age; and

(3) knowingly or intentionally enters or attempts to enter the pari-mutuel pull tab operation;

commits a Class A misdemeanor.

SECTION 73. IC 4-33-10-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. An action to prosecute a crime occurring during ~~a~~ gambling ~~excursion~~ **on a riverboat** shall be tried in the county of the dock where the riverboat is ~~based.~~ **located.**

SECTION 74. IC 4-33-13-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) A tax is imposed on the adjusted gross receipts received from gambling games authorized under this article at the rate of:

~~twenty percent (20%)~~ **(1) twenty-eight percent (28%)** of the ~~amount~~ **first one hundred million dollars ($100,000,000)** of the adjusted gross receipts **received during the period beginning July 1 of each year and ending June 30 of the following year; and**

(2) thirty-one percent (31%) of the adjusted gross receipts exceeding one hundred million dollars ($100,000,000) that are received during the period beginning July 1 of each year and ending June 30 of the following year.

(b) The licensed owner shall remit the tax imposed by this chapter to the department before the close of the business day following the day the wagers are made.

(c) The department may require payment under this section to be made by electronic funds transfer (as defined in IC 4-8.1-2-7(e)).

(d) If the department requires taxes to be remitted under this chapter through electronic funds transfer, the department may allow the licensed owner to file a monthly report to reconcile the amounts remitted to the department.

(e) The department may allow taxes remitted under this section to be reported on the same form used for taxes paid under IC 4-33-12 **(before its repeal).**

SECTION 75. IC 4-33-13-4, AS AMENDED BY P.L.273-1999, SECTION 43, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. Sufficient funds are annually appropriated to the commission from the state gaming fund to administer this article. **Funds in the fund are available, with the approval of the budget agency, to augment and supplement the funds appropriated to the commission for the purpose of administering pari-mutuel pull tabs**

under IC 4-31-7.5.

SECTION 76. IC 4-33-13-5, AS AMENDED BY P.L.186-2002, SECTION 11, AND AS AMENDED BY P.L.178-2002, SECTION 3, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. **(a) This subsection does not apply to a riverboat located in a historic district described in IC 4-33-1-1(3).** After funds are appropriated under section 4 of this chapter, each ~~month~~ **year** the treasurer of state shall distribute the tax revenue deposited in the state gaming fund under this chapter to the following:

(1) Twenty-five percent (25%) of the tax revenue remitted by each licensed owner shall be paid **as follows:**

~~(A) to the city that is designated as the home dock of the riverboat from which the tax revenue was collected, in the case of:~~

~~*(i)* a city described in IC 4-33-12-6(b)(1)(A); *or*~~

~~*(ii) a city located in a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000);*~~

~~(B) in equal shares to the counties described in IC 4-33-1-1(3), in the case of a riverboat whose home dock is on Patoka Lake; or~~

~~(C)~~ **(A) Twenty-five percent (25%)** to the county ~~that is designated as the home dock of~~ **in which** the riverboat from which the tax revenue was collected ~~in the case of a riverboat whose home dock is not in a city described in clause (A) or a county described in clause (B); and~~ **is located.**

(B) Two and five-tenths percent (2.5%) to the county convention and visitors bureau of the county in which the riverboat from which the tax revenue was collected is located.

(C) The remainder to the city that is designated as the home dock of the riverboat from which the tax revenue was collected in the case of a riverboat docked in a city that:

(i) is described in IC 4-33-6-1(a)(1) through IC 4-33-6-1(a)(4) or IC 4-33-6-1(b); or

(ii) is contiguous to the Ohio River and is the largest city in the county.

If the riverboat is not docked in a city described in item (i) or (ii), the amount paid under this clause must be paid to the county in which the riverboat from which the tax

revenue was collected is located.
The treasurer of state shall distribute the amounts that are required to be paid under this subdivision to the counties, cities, and convention and visitors bureaus on a monthly basis.
(2) Seventy-five percent (75%) of the tax revenue remitted by each licensed owner shall be paid **as follows:**
(A) Twenty-six million dollars ($26,000,000) minus the amount, if any, paid to the Indiana horse racing commission under IC 4-31-7.6-4 shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:
(i) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.
(ii) To each racetrack that has been approved by the Indiana horse racing commission under IC 4-31. The Indiana horse racing commission may make a grant under this clause only for purses, promotions, and routine operations of a racetrack. No grants shall be made for long term capital investment or construction and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.
(iii) To county and 4-H fairs for the maintenance and operation of horse racing facilities.
Before August 1 of each year, the treasurer of state shall set aside the amount of the money subtracted from the amount paid to the Indiana horse racing commission under this clause in the preceding state fiscal year to make the revenue sharing distributions required under subsection (e).
(B) Four million dollars ($4,000,000) to the division of mental health and addiction.
(C) Six million dollars ($6,000,000) to the state fair commission for use in any activity that the commission is authorized to carry out under IC 15-1.5-3.
(D) One million five hundred thousand dollars ($1,500,000) to the center for agricultural science and heritage established by IC 15-1.5-10.5-3.
(E) One million dollars ($1,000,000) to the school for the blind.

(F) One million dollars ($1,000,000) to the school for the deaf.

(G) The following amounts to the shoreline environmental trust fund established by IC 36-7-13.5-19:

(i) Three million five hundred thousand dollars ($3,500,000) in state fiscal year 2004.

(ii) Seven million dollars ($7,000,000) in state fiscal year 2005 and each state fiscal year thereafter.

(H) Two hundred fifty million dollars ($250,000,000) to the build Indiana fund. ~~lottery and gaming surplus account.~~ **However, projects for which money was appropriated from the build Indiana fund lottery and gaming surplus account under P.L.291-2001, SECTION 38, must be funded, upon review of the budget committee, before money is deposited into the state general fund under clause (I).**

(I) The remainder to the state general fund.

The treasurer of state shall distribute the amounts that are required to be paid in each state fiscal year under clauses (A) through (H) in twelve (12) equal installments before depositing money into the state general fund under clause (I).

(b) This subsection applies only to a riverboat located in a historic district described in IC 4-33-1-1(3). After funds are appropriated under section 4 of this chapter, each year the treasurer of state shall distribute the tax revenue deposited in the state gaming fund under this chapter to the following:

(1) Twenty-four percent (24%) to the state general fund.

(2) Thirty-five percent (35%) to the historic district described in IC 4-33-1-1(3).

(3) Twenty-seven percent (27%) to be divided evenly among the counties that are contiguous to Patoka Lake.

(4) Five percent (5%) to a town described in IC 4-33-1-1(3)(C)(i).

(5) Five percent (5%) to a town described in IC 4-33-1-1(3)(C)(ii).

(6) Two percent (2%) to the tourism commission of a town described in IC 4-33-1-1(3)(C)(i).

(7) Two percent (2%) to the tourism commission of a town described in IC 4-33-1-1(3)(C)(ii).

The treasurer of state shall distribute the amounts that are required to be paid under this subsection on a monthly basis.

(c) If a permit holder sells pull tabs at a racetrack or satellite

facility, the maximum amount that the Indiana horse racing commission may grant for routine operations at the permit holder's racetrack under subsection (a)(2)(A)(ii) is equal to:

(1) the total amount granted under this section in a calendar year to a racetrack operated by a permit holder under a recognized meeting permit first issued before January 1, 2002; minus

(2) the total adjusted gross receipts reported by a permit holder under IC 4-31-7.6-3 for the twelve (12) months immediately preceding the date on which the grant is distributed.

(d) Money received by the division of mental health and addiction under subsection (a)(2)(B):

(1) is annually appropriated to the division of mental health and addiction;

(2) shall be distributed to the division of mental health and addiction at times during each state fiscal year determined by the budget agency; and

(3) shall be used by the division of mental health and addiction for programs and facilities for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and maintenance of a toll free telephone line to provide the public with information about these addictions.

The division of mental health and addiction shall allocate at least twenty-five percent (25%) of the money received under subdivision (3) to the prevention and treatment of compulsive gambling.

(e) Before August 15, the treasurer of state shall distribute the wagering taxes set aside for revenue sharing under subsection (a)(2)(A) to the county treasurer of each county that does not have a riverboat, a pari-mutuel horse racing track, or a pari-mutuel horse racing satellite facility according to the ratio that the county's population bears to the total population of the counties that do not have a riverboat, a pari-mutuel horse racing track, or a pari-mutuel horse racing satellite facility that offers pari-mutuel pull tabs. The county treasurer shall distribute the money received by the county under this subsection as follows:

(1) To each city located in the county according to the ratio the city's population bears to the total population of the county.

(2) To each town located in the county according to the ratio the town's population bears to the total population of the

county.

(3) After the distributions required in subdivisions (1) and (2) are made, the remainder shall be retained by the county.

SECTION 77. IC 4-33-13-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) Money paid to a unit of local government under this chapter:

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's maximum or actual levy under IC 6-1.1-18.5; and

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4.

(b) This chapter does not prohibit the city or county designated as the home dock of the riverboat from entering into agreements with other units of local government in Indiana or in other states to share the city's or county's part of the tax revenue received under this chapter.

(c) Money paid by the treasurer of state under section 5(b)(6) and 5(b)(7) of this chapter must be used only for the tourism promotion, advertising, and economic development activities of the respective towns.

SECTION 78. IC 4-33-13-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 7. A licensed owner shall renegotiate an economic development agreement entered into with a unit of government if payments to the unit that are required under the agreement are based on the admissions tax imposed under IC 4-33-12 (before its repeal).**

SECTION 79. IC 4-33-14-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. The general assembly declares that the opportunity for full minority and women's business enterprise participation in the riverboat ~~industry~~ **and pari-mutuel pull tab industries** is essential if social and economic parity is to be obtained by minority and women business persons and if the economies of the riverboat ~~cities~~ **and pari-mutuel pull tab communities** are to be stimulated as contemplated by this article **and IC 4-31-7.5. In complying with this chapter, a licensed owner or permit holder should give priority to minority and women's business enterprises in the following order:**

(1) Local enterprises.

(2) Enterprises located in Indiana and the region surrounding

the licensee's riverboat or pull tab facility.
(3) Indiana enterprises.
(4) National enterprises.

SECTION 80. IC 4-33-14-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 1.5. This chapter applies to:**
(1) a licensed owner of a riverboat licensed under this article; and
(2) a permit holder licensed to sell pari-mutuel pull tabs under IC 4-31-7.5.

SECTION 81. IC 4-33-14-5, AS AMENDED BY P.L.195-2001, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. (a) As used in this section, "goods and services" does not include the following:
(1) Utilities and taxes.
(2) Financing costs, mortgages, loans, or other debt.
(3) Medical insurance.
(4) Fees and payments to a parent or an affiliated company of the person holding an owner's license **or a pari-mutuel pull tab license,** other than fees and payments for goods and services supplied by nonaffiliated persons through an affiliated company for the use or benefit of the person holding the owner's license **or a pari-mutuel pull tab license.**
(5) Rents paid for real property or payments constituting the price of an interest in real property as a result of a real estate transaction.

(b) Notwithstanding any law or rule to the contrary, the commission shall establish annual goals for a person issued an owner's license **or a pari-mutuel pull tab license:**
(1) for the use of minority and women's business enterprises; and
(2) derived from a statistical analysis of utilization study of licensee contracts for goods and services that are required to be updated every five (5) years.

A person holding an owner's license **or a pari-mutuel pull tab license** shall submit annually to the commission a report that includes the total dollar value of contracts awarded for goods or services and the percentage awarded to minority and women's business enterprises.

(c) A person holding an owner's license **or a pari-mutuel pull tab license** shall make a good faith effort to meet the requirements of this section and shall annually demonstrate to the commission that an effort was made to meet the requirements.

(d) A person holding an owner's license **or a pari-mutuel pull tab**

license may fulfill not more than seventy percent (70%) of an obligation under this chapter by requiring a vendor to set aside a part of a contract for minority or women's business enterprises. Upon request, the licensee shall provide the commission with proof of the amount of the set aside.

SECTION 82. IC 4-33-14-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. If the commission determines that the provisions of this chapter relating to expenditures and assignments to minority and women's business enterprises have not been met by a licensee, the commission may suspend, limit, or revoke the owner's license ~~or fine~~ **or the permit holder's pari-mutuel pull tab license,** or impose **a civil penalty or** appropriate conditions on the licensee to ensure that the goals for expenditures and assignments to minority and women's business enterprises are met. However, if a determination is made that a person holding an owner's license **or a pari-mutuel pull tab license** has failed to demonstrate compliance with this chapter, the person has ninety (90) days from the date of the determination of noncompliance to comply.

SECTION 83. IC 4-33-14-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. The commission shall establish and administer a unified certification procedure for minority and women's business enterprises that do business with riverboat operations **and pari-mutuel pull tab operations** on contracts for goods and services or contracts for business.

SECTION 84. IC 4-33-14-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. The commission shall supply persons holding owner's licenses **or pari-mutuel pull tab licenses** with a list of the minority and women's business enterprises the commission has certified under section 7 of this chapter. The commission shall review the list annually to determine the minority and women's business enterprises that should continue to be certified. The commission shall establish a procedure for challenging the designation of a certified minority and women's business enterprise. The procedure must include proper notice and a hearing for all parties concerned.

SECTION 85. IC 4-33-14-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) This section applies to **the following:**

(1) A person holding an owner's licenses for riverboats operated from a city described under IC 4-33-6-1(a)(1) through IC 4-33-6-1(a)(3).

(2) A person holding a license to sell pari-mutuel pull tabs under IC 4-31-7.5.

(b) The commission shall require persons holding owner's licenses to adopt policies concerning the preferential hiring of residents of the city in which the riverboat docks for riverboat jobs.

(c) The commission shall require a person holding a pari-mutuel pull tab license to adopt policies concerning the preferential hiring of residents of the city or county in which the person has a pari-mutuel pull tab operation.

SECTION 86. IC 4-33-14-11 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 11. The commission shall deposit civil penalties imposed under section 6 of this chapter in the minority and women business participation fund established by section 12 of this chapter.**

SECTION 87. IC 4-33-14-12 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 12. (a) The minority and women business participation fund is established to assist minority and women business enterprises. The fund shall be administered by the commission. The fund consists of fees collected under section 13 of this chapter and civil penalties imposed under section 6 of this chapter.**

(b) The Indiana department of administration may use fees collected under section 13 of this chapter to hire employees to administer this chapter. The commission may use other money in the fund for the purposes of this chapter.

(c) The expenses of administering the fund shall be paid from money in the fund.

(d) The treasurer of state shall invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(e) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

SECTION 88. IC 4-33-14-13 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 13. The commission shall charge an annual fee of ten thousand dollars ($10,000) upon the following:**

(1) Each licensed owner of a riverboat licensed under this article.

(2) Each racetrack offering pari-mutuel pull tabs under IC 4-31-7.5.

(3) Each satellite facility offering pari-mutuel pull tabs under

IC 4-31-7.5.
The fees collected under this section must be deposited in the women and minority business participation fund.

SECTION 89. IC 4-33-16 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 16. Gambling Operations in a Historic District

Sec. 1. This chapter applies only to a historic district described in IC 4-33-1-1(3) and established under IC 36-7-11-4.5.

Sec. 2. As used in this chapter, "district" refers to the historic district established under IC 36-7-11-4.5.

Sec. 3. As used in this chapter, "historic preservation commission" refers to the historic preservation commission established under IC 36-7-11-4.5.

Sec. 4. As used in this chapter, "operating expenses" means the following:

(1) Money spent by the historic preservation commission in the exercise of the historic preservation commission's powers under this article, IC 36-7-11-23, and IC 36-7-11-24 as limited by section 5 of this chapter.

(2) Management fees paid to the riverboat's licensed operating agent.

Sec. 5. A riverboat authorized under this article for a historic district described in IC 4-33-1-1(3) must be located on real property located in the district between the two (2) historic resort hotels.

Sec. 6. The commission shall grant an owner's license to the historic preservation commission upon the fulfillment of the following requirements:

(1) Riverboat gaming is approved in a public question.

(2) The commission completes the investigations required under IC 4-33-6.

Sec. 7. The historic preservation commission shall contract with another person to operate a riverboat located in the district. The person must be a licensed operating agent under IC 4-33-6.5.

Sec. 8. The net income derived from the riverboat after the payment of all operating expenses shall be deposited in the French Lick and West Baden community trust fund established by IC 36-7-11.4-4.

Sec. 9. After deducting any tax revenue received under IC 4-33-12 and IC 4-33-13 that:

(1) is expended by the historic preservation commission to

carry out the historic preservation commission's duties and powers under this article, IC 36-7-11-3, and IC 36-7-11-24; or

(2) is pledged to bonds, leases, or other obligations under IC 5-1-14-4;

the historic preservation commission shall deposit the remaining tax revenue in the French Lick and West Baden community trust fund established by IC 36-7-11.4-4.

Sec. 10. (a) As used in this section, "electronic gaming device" has the meaning set forth in 68 IAC 1-1-29.

(b) As used in this section, "live gaming device" has the meaning set forth in 68 IAC 1-1-59.

(c) The licensed owner of a riverboat located in the historic district may not install more than five hundred (500) electronic gaming devices on board the riverboat.

(d) This section does not limit the number of live gaming devices that the licensed owner may install on board the riverboat.

SECTION 90. IC 5-2-5-7 (CURRENT VERSION) IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. (a) Except as provided in subsection (c), on request for release or inspection of a limited criminal history, law enforcement agencies may ~~and the department shall~~ do the following:

(1) Require a form, provided by them, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect a three dollar ($3) fee to defray the cost of processing a request for inspection.

(3) Collect a seven dollar ($7) fee to defray the cost of processing a request for release. ~~However, law enforcement agencies and the department may not charge the fee for requests received from the parent locator service of the child support bureau of the division of family and children.~~

(b) **Except as provided in subsection (c), on request for release or inspection of a limited criminal history, the department shall do the following:**

(1) Require a form, provided by the department, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect fees set by rule to defray the cost of processing a request for release or inspection.

(c) Law enforcement agencies and the department shall edit information so that the only information released or inspected is information which:

(1) has been requested; and

(2) is limited criminal history information.

~~(c)~~ **(d)** The fee required under subsection (a) **or (b)** shall be waived if the request is from the:

(1) institute for conviction information that will be used to establish or update the sex and violent offender registry under IC 5-2-12; **or**

(2) the parent locator service of the child support bureau of the division of family and children.

SECTION 91. IC 5-2-5-7 (LATER VERSION), AS AMENDED BY P.L.116-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 2, 2003]: Sec. 7. (a) Except as provided in subsection (c), on request for release or inspection of a limited criminal history, law enforcement agencies may and the department shall do the following:

(1) Require a form, provided by them, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect a three dollar ($3) fee to defray the cost of processing a request for inspection.

(3) Collect a seven dollar ($7) fee to defray the cost of processing a request for release. ~~However, law enforcement agencies and the department may not charge the fee for requests received from the parent locator service of the child support bureau of the division of family and children.~~

(b) **Except as provided in subsection (c), on request for release or inspection of a limited criminal history, the department shall do the following:**

(1) Require a form, provided by the department, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect fees set by rule to defray the cost of processing a request for release or inspection.

(c) Law enforcement agencies and the department shall edit information so that the only information released or inspected is information which:

(1) has been requested; and

(2) is limited criminal history information.

~~(c)~~ **(d)** The fee required under subsection (a) **or (b)** shall be waived if**:**

(1) the request relates to the sex and violent offender directory under IC 5-2-6 or concerns a person required to register as a sex and violent offender under IC 5-2-12**; or**

(2) the request is from the parent locator service of the child support bureau of the division of family and children.

SECTION 92. IC 6-1.1-1-8.7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8.7. "Low income housing" means real property that on an assessment date is used to obtain any of the following benefits:**

(1) Low income housing credits under Section 42 of the Internal Revenue Code.

(2) Low interest loans for benefits from the United States Department of Agriculture Rural Housing Section 515 Program.

(3) Below market, federally insured, or governmental financing for housing, including tax exempt bonds under Section 142 of the Internal Revenue Code for qualified residential rental projects.

(4) A low interest loan under Section 235 or 236 of the National Housing Act (12 U.S.C. 1715z or 12 U.S.C. 1715z-1) or 42 U.S.C. 1485.

(5) A government rent subsidy for housing.

(6) A government guaranteed loan for a housing project.

SECTION 93. IC 6-1.1-1-8.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8.8. "Multifamily dwelling complex" refers to one (1) or more adjacent tracts and the building or buildings on the tracts that each contain at least two (2) residential units and are under common management or control.**

SECTION 94. IC 6-1.1-1-13.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13.5. (a) "Principal rental dwelling" refers to residential improvements to land that an individual with a leasehold interest in the property uses as the individual's principal place of residence, regardless of whether the individual is absent from the property while in a facility described in subsection (b).**

(b) The term does not include any of the following:

(1) A hospital licensed under IC 16-21.

(2) A health facility licensed under IC 16-28.

(3) A residential facility described in IC 12-7-2-165.

(4) A Christian Science home or sanatorium.

(5) A group home licensed under IC 12-17.4 or IC 12-28-4.

(6) An establishment that serves as an emergency shelter for victims of domestic violence, homeless persons, or other similar purpose.

(7) A fraternity, sorority, or student cooperative housing organization described in IC 6-2.5-5-21.

SECTION 95. IC 6-1.1-3-7.5, AS AMENDED BY P.L.90-2002, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7.5. (a) A taxpayer may file an amended personal property tax return, in conformity with the rules adopted by the department of local government finance, not more than six (6) months after the later of the following:

(1) The filing date for the original personal property tax return, if the taxpayer is not granted an extension in which to file under section 7 of this chapter.

(2) The extension date for the original personal property tax return, if the taxpayer is granted an extension under section 7 of this chapter.

(b) A tax adjustment related to an amended personal property tax return shall be made in conformity with rules adopted under IC 4-22-2 by the department of local government finance.

(c) If a taxpayer wishes to correct an error made by the taxpayer on the taxpayer's original personal property tax return, the taxpayer must file an amended personal property tax return under this section within the time required by subsection (a). A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable under any statute or rule adopted by the department of local government finance if the adjustment or exemption had been claimed on the original personal property tax return.

(d) Notwithstanding any other provision, if:

(1) a taxpayer files an amended personal property tax return under this section in order to correct an error made by the taxpayer on the taxpayer's original personal property tax return; and

(2) the taxpayer is entitled to a refund of personal property taxes paid by the taxpayer under the original personal property tax return;

the taxpayer is not entitled to interest on the refund.

(e) If a taxpayer files an amended personal property tax return for a year before July 16 of that year, the taxpayer shall pay taxes payable in the immediately succeeding year based on the assessed value reported on the amended return.

(f) If a taxpayer files an amended personal property tax return for a year after July 15 of that year, the taxpayer shall pay taxes payable in the immediately succeeding year based on the assessed value reported on the taxpayer's original personal property tax return. A taxpayer that paid taxes under this subsection is entitled to a credit in the amount of taxes paid by the taxpayer on the remainder of:

(1) the assessed value reported on the taxpayer's original personal property tax return; minus

(2) the finally determined assessed value that results from the filing of the taxpayer's amended personal property tax return.

Except as provided in subsection (k), the county auditor shall apply the credit against the taxpayer's property taxes on personal property payable in the year that immediately succeeds the year in which the taxes were paid.

(g) If the amount of the credit to which the taxpayer is entitled under subsection (f) exceeds the amount of the taxpayer's property taxes on personal property payable in the year that immediately succeeds the year in which the taxes were paid, the county auditor shall apply the amount of the excess credit against the taxpayer's property taxes on personal property in the next succeeding year.

(h) Not later than December 31 of the year in which a credit is applied under subsection (g), the county auditor shall refund to the taxpayer the amount of any excess credit that remains after application of the credit under subsection (g).

(i) The taxpayer is not required to file an application for:

(1) a credit under subsection (f) or (g); or

(2) a refund under subsection (h).

(j) Before August 1 of each year, the county auditor shall provide to each taxing unit in the county an estimate of the total amount of the credits under subsection (f) or (g) that will be applied against taxes imposed by the taxing unit that are payable in the immediately succeeding year.

(k) A county auditor may refund a credit amount to a taxpayer before the time the credit would otherwise be applied against property tax payments under this section.

(l) The county auditor shall report to the department of state revenue any refund or credit to a taxpayer made under this section resulting from a reduction of the amount of an assessment of inventory (as defined in section 11 of this chapter) or business personal property (as defined in IC 6-3.1-24-2).

SECTION 96. IC 6-1.1-3-22 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE

JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 22. (a) Except to the extent that the following specifically conflict with a statute, 50 IAC 4.2 (as in effect January 1, 2001) is incorporated by reference into this section.**

(b) Tangible personal property within the scope of 50 IAC 4.2 (as in effect January 1, 2001) shall be assessed on the assessment dates in calendar years 2002 and thereafter in conformity with 50 IAC 4.2 (as in effect January 1, 2001).

(c) A taxpayer that filed a personal property tax return under this chapter for the 2002 assessment date based on assessment of the taxpayer's personal property in conformity with 50 IAC 4.3 shall file an amended personal property tax return that reflects the assessment of that personal property in conformity with 50 IAC 4.2 as required by this section. Notwithstanding any other law as to the due dates for amended personal property tax returns, the department of local government finance shall establish the due dates and prescribe the forms for the amended returns required by this subsection.

(d) Civil taxing units and school corporations shall use the assessed value resulting from amended personal property tax returns filed under this section in determining budgets, rates, and levies for the 2003 calendar year and each budget year thereafter and not the assessed value determined under 50 IAC 4.3.

(e) The publisher of the Indiana Administrative Code may continue to publish 50 IAC 4.2 (as in effect January 1, 2001) in the Indiana Administrative Code.

(f) 50 IAC 4.3 and any other rule to the extent that it conflicts with this section is void.

(g) A reference in 50 IAC 4.2 to a governmental entity that has been terminated or a statute that has been repealed or amended shall be treated as a reference to its successor.

SECTION 97. IC 6-1.1-4-4.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 4.2. (a) As used in this section, "dwelling" has the meaning set forth in IC 6-1.1-20.9-1. The term includes a residence that is not a taxpayer's primary residence.**

(b) As used in this section, "general reassessment" refers to the general reassessment of real property that is the basis under IC 6-1.1-4-4 for ad valorem property taxes and special assessments first due and payable in 2003.

(c) The effect of any increase or decrease resulting from the

general reassessment in the assessed value of a dwelling as compared to the assessed value of the dwelling for ad valorem property taxes and special assessments first due and payable in 2002 shall be phased in. The phase in shall be applied in equal amounts with respect to ad valorem property taxes and special assessments first due and payable in 2003, 2004, 2005, and 2006.

(d) The department of local government finance shall adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement this section. A temporary rule adopted under this subsection expires on the earliest of the following:

(1) The date that another temporary rule adopted under this subsection supersedes the prior temporary rule.

(2) The date that permanent rules adopted under IC 4-22-2 supersede the temporary rule.

(3) January 1, 2007.

(e) This section expires January 1, 2007.

SECTION 98. IC 6-1.1-4-32, AS AMENDED BY P.L.178-2002, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 32. (a) As used in this section, "contract" refers to a contract entered into under this section.

(b) As used in this section, "contractor" refers to a firm that enters into a contract with the department of local government finance under this section.

(c) As used in this section, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

(d) Notwithstanding sections 15 and 17 of this chapter, a township assessor in a qualifying county may not appraise property, or have property appraised, for the general reassessment of real property to be completed for the March 1, 2002, assessment date. Completion of that general reassessment in a qualifying county is instead governed by this section. The only duty of:

(1) a township assessor in a qualifying county; or

(2) a county assessor of a qualifying county;

with respect to that general reassessment is to provide to the department of local government finance or the department's contractor under subsection (e) any support and information requested by the department or the contractor. This subsection expires June 30, 2004.

(e) The department of local government finance shall select and contract with a certified public accounting firm with expertise in the appraisal of real property to appraise property for the general reassessment of real property in a qualifying county to be completed for the March 1, 2002, assessment date. The department of local government finance may enter into additional contracts to provide software or other auxiliary services to be used for the appraisal of property for the general reassessment. The contract applies for the appraisal of land and improvements with respect to all classes of real property in the qualifying county. The contract must include:

(1) a provision requiring the appraisal firm to:
(A) prepare a detailed report of:
(i) expenditures made after July 1, 1999, and before the date of the report from the qualifying county's reassessment fund under section 28 of this chapter (repealed); and
(ii) the balance in the reassessment fund as of the date of the report; and
(B) file the report with:
(i) the legislative body of the qualifying county;
(ii) the prosecuting attorney of the qualifying county;
(iii) the department of local government finance; and
(iv) the attorney general;
(2) a fixed date by which the appraisal firm must complete all responsibilities under the contract;
(3) subject to subsection (t), a provision requiring the appraisal firm to use the land values determined for the qualifying county under section 13.6 of this chapter;
(4) a penalty clause under which the amount to be paid for appraisal services is decreased for failure to complete specified services within the specified time;
(5) a provision requiring the appraisal firm to make periodic reports to the department of local government finance;
(6) a provision stipulating the manner in which, and the time intervals at which, the periodic reports referred to in subdivision (5) are to be made;
(7) a precise stipulation of what service or services are to be provided;
(8) a provision requiring the appraisal firm to deliver a report of the assessed value of each parcel in a township in the qualifying county to the department of local government finance; and
(9) any other provisions required by the department of local government finance.

After December 31, 2001, the department of local government finance has all the powers and duties of the state board of tax commissioners provided under a contract entered into under this subsection (as effective before January 1, 2002) before January 1, 2002. The contract is valid to the same extent as if it were entered into by the department of local government finance. However, a reference in the contract to the state board of tax commissioners shall be treated as a reference to the department of local government finance. The contract shall be treated for all purposes, including the application of IC 33-3-5-2.5, as the contract of the department of local government finance. If the department of local government finance terminates a contract before completion of the work described in this subsection, the department shall contract for completion of the work as promptly as possible under IC 5-22-6. This subsection expires June 30, 2004.

(f) At least one (1) time each month, the contractors that will make physical visits to the site of real property for reassessment purposes shall publish a notice under IC 5-3-1 describing the areas that are scheduled to be visited within the next thirty (30) days and explaining the purposes of the visit. The notice shall be published in a way to promote understanding of the purposes of the visit in the affected areas. After receiving the report of assessed values from the appraisal firm acting under a contract described in subsection (e), the department of local government finance shall give notice to the taxpayer and the county assessor, by mail, of the amount of the reassessment. The notice of reassessment is subject to appeal by the taxpayer to the Indiana board. The procedures and time limitations that apply to an appeal to the Indiana board of a determination of the department of local government finance apply to an appeal under this subsection. A determination by the Indiana board of an appeal under this subsection is subject to appeal to the tax court under IC 6-1.1-15. This subsection expires on the later of June 30, 2004, or the date a final determination is entered in the last pending appeal filed under this subsection.

(g) In order to obtain a review by the Indiana board under subsection (f), the taxpayer must file a petition for review with the appropriate county assessor within forty-five (45) days after the notice of the department of local government finance is given to the taxpayer under subsection (f). This subsection expires June 30, 2004.

(h) The department of local government finance shall mail the notice required by subsection (f) within ninety (90) days after the department receives the report for a parcel from the professional appraisal firm. This subsection expires June 30, 2004.

(i) The qualifying county shall pay the cost of any contract under this section which shall be without appropriation from the county property reassessment fund. A contractor may periodically submit bills for partial payment of work performed under a contract. However, the maximum amount that the qualifying county is obligated to pay for all contracts entered into under subsection (e) for the general reassessment of real property in the qualifying county to be completed for the March 1, 2002, assessment date is twenty-five million five hundred thousand dollars ($25,500,000). Notwithstanding any other law, a contractor is entitled to payment under this subsection for work performed under a contract if the contractor:

(1) submits, in the form required by IC 5-11-10-1, a fully itemized, certified bill for the costs under the contract of the work performed to the department of local government finance for review;

(2) obtains from the department of local government finance:

(A) approval of the form and amount of the bill; and

(B) a certification that the billed goods and services billed for payment have been received and comply with the contract; and

(3) files with the county auditor of the qualifying county:

(A) a duplicate copy of the bill submitted to the department of local government finance;

(B) the proof of approval provided by the department of local government finance of the form and amount of the bill that was approved; and

(C) the certification provided by the department of local government finance that indicates that the goods and services billed for payment have been received and comply with the contract.

An approval and a certification under subdivision (2) shall be treated as conclusively resolving the merits of the claim. Upon receipt of the documentation described in subdivision (3), the county auditor shall immediately certify that the bill is true and correct without further audit, publish the claim as required by IC 36-2-6-3, and submit the claim to the county executive of the qualifying county. The county executive shall allow the claim, in full, as approved by the department of local government finance without further examination of the merits of the claim in a regular or special session that is held not less than three (3) days and not more than seven (7) days after completion of the publication requirements under IC 36-2-6-3. Upon allowance of the claim by the county executive, the county auditor shall immediately issue a warrant or check for the full amount of the claim approved by the department of local government finance. Compliance with this subsection shall be treated as compliance with section 28.5 of this chapter, IC 5-11-6-1, IC 5-11-10, and IC 36-2-6. The determination and payment of a claim in compliance with this subsection is not subject to remonstrance and appeal. IC 36-2-6-4(f) and IC 36-2-6-9 do not apply to a claim under this subsection. IC 5-11-10-1.6(d) applies to a fiscal officer who pays a claim in compliance with this subsection. This subsection expires June 30, 2004.

(j) Notwithstanding IC 4-13-2, a period of seven (7) days is permitted for each of the following to review and act under IC 4-13-2 on a contract of the department of local government finance under this section:

(1) The commissioner of the Indiana department of administration.
(2) The director of the budget agency.
(3) The attorney general.
(4) The governor.

(k) With respect to a general reassessment of real property to be completed under section 4 of this chapter for an assessment date after the March 1, 2002, assessment date, the department of local government finance shall initiate a review with respect to the real property in a qualifying county or a township in a qualifying county, or a portion of the real property in a qualifying county or a township in a qualifying county. The department of local government finance may contract to have the review performed by an appraisal firm. The department of local government finance or its contractor shall determine for the real property under consideration and for the qualifying county or township the variance between:

(1) the total assessed valuation of the real property within the qualifying county or township; and
(2) the total assessed valuation that would result if the real property within the qualifying county or township were valued in the manner provided by law.

(l) If:

(1) the variance determined under subsection (k) exceeds ten percent (10%); and
(2) the department of local government finance determines after holding hearings on the matter that a special reassessment should be conducted;

the department shall contract for a special reassessment by an appraisal firm to correct the valuation of the property.

(m) If the variance determined under subsection (k) is ten percent (10%) or less, the department of local government finance shall determine whether to correct the valuation of the property under:

(1) sections 9 and 10 of this chapter; or
(2) IC 6-1.1-14-10 and IC 6-1.1-14-11.

(n) The department of local government finance shall give notice by mail to a taxpayer of a hearing concerning the department's intent to cause the taxpayer's property to be reassessed under this section. The time fixed for the hearing must be at least ten (10) days after the day the notice is mailed. The department of local government finance may conduct a single hearing under this section with respect to multiple properties. The notice must state:

(1) the time of the hearing;
(2) the location of the hearing; and
(3) that the purpose of the hearing is to hear taxpayers' comments and objections with respect to the department of local government finance's intent to reassess property under this chapter.

(o) If the department of local government finance determines after the hearing that property should be reassessed under this section, the department shall:

(1) cause the property to be reassessed under this section;
(2) mail a certified notice of its final determination to the county auditor of the qualifying county in which the property is located; and
(3) notify the taxpayer by mail of its final determination.

(p) A reassessment may be made under this section only if the notice of the final determination under subsection (n) is given to the taxpayer within the same period prescribed in IC 6-1.1-9-3 or IC 6-1.1-9-4.

(q) If the department of local government finance contracts for a special reassessment of property under this section, the qualifying county shall pay the bill, without appropriation, from the county property reassessment fund. A contractor may periodically submit bills for partial payment of work performed under a contract. Notwithstanding any other law, a contractor is entitled to payment under this subsection for work performed under a contract if the contractor:

(1) submits, in the form required by IC 5-11-10-1, a fully itemized, certified bill for the costs under the contract of the work performed to the department of local government finance for review;
(2) obtains from the department of local government finance:
 (A) approval of the form and amount of the bill; and
 (B) a certification that the billed goods and services billed for payment have been received and comply with the contract; and
(3) files with the county auditor of the qualifying county:
 (A) a duplicate copy of the bill submitted to the department of

local government finance;

(B) the proof of approval provided by the department of local government finance of the form and amount of the bill that was approved; and

(C) the certification provided by the department of local government finance that indicates that the goods and services billed for payment have been received and comply with the contract.

An approval and a certification under subdivision (2) shall be treated as conclusively resolving the merits of the claim. Upon receipt of the documentation described in subdivision (3), the county auditor shall immediately certify that the bill is true and correct without further audit, publish the claim as required by IC 36-2-6-3, and submit the claim to the county executive of the qualifying county. The county executive shall allow the claim, in full, as approved by the department of local government finance without further examination of the merits of the claim in a regular or special session that is held not less than three (3) days and not more than seven (7) days after completion of the publication requirements under IC 36-2-6-3. Upon allowance of the claim by the county executive, the county auditor shall immediately issue a warrant or check for the full amount of the claim approved by the department of local government finance. Compliance with this subsection shall be treated as compliance with section 28.5 of this chapter, IC 5-11-6-1, IC 5-11-10, and IC 36-2-6. The determination and payment of a claim in compliance with this subsection is not subject to remonstrance and appeal. IC 36-2-6-4(f) and IC 36-2-6-9 do not apply to a claim under this subsection. IC 5-11-10-1.6(d) applies to a fiscal officer who pays a claim in compliance with this subsection.

(r) A qualifying official (as defined in IC 33-3-5-2.5) shall provide information requested in writing by the department of local government finance or the department's contractor under this section not later than seven (7) days after receipt of the written request from the department or the contractor. If a qualifying official (as defined in IC 33-3-5-2.5) fails to provide the requested information within the time permitted in this subsection, the department of local government finance or the department's contractor may seek an order of the tax court under IC 33-3-5-2.5 for production of the information.

(s) The provisions of this section are severable in the manner provided in IC 1-1-1-8(b).

(t) A contract entered into under subsection (e) is subject to this subsection. A contractor shall use the land values determined for the qualifying county under section 13.6 of this chapter to the extent that the contractor finds that the land values reflect the true tax value of land, as determined under the statutes and the rules of the department of local government finance. If the contractor finds that the land values determined for the qualifying county under section 13.6 of this chapter do not reflect the true tax value of land, the contractor shall determine land values for the qualifying county that reflect the true tax value of land, as determined under the statutes and the rules of the department of local government finance. The land values determined by the contractor shall be used to the same extent as if the land values had been determined under section 13.6 of this chapter. The contractor shall notify the county assessor and the township assessors in the qualifying county of the land values as modified under this subsection. This subsection expires June 30, 2004.

(u) A contractor acting under a contract under subsection (e) may notify the department of local government finance if:

(1) the county auditor fails to:

(A) certify the bill;

(B) publish the claim;

(C) submit the claim to the county executive; or

(D) issue a warrant or check;

as required in subsection (i) at the first opportunity the county auditor is legally permitted to do so;

(2) the county executive fails to allow the claim as required in subsection (i) at the first opportunity the county executive is legally permitted to do so; or

(3) a person or entity authorized to act on behalf of the county takes or fails to take an action, including failure to request an appropriation, and that action or failure to act delays or halts the process under this section for payment of a bill submitted by a contractor under subsection (i).

This subsection expires June 30, 2004.

(v) The department of local government finance, upon receiving notice under subsection (u) from the contractor, shall:

(1) verify the accuracy of the contractor's assertion in the notice that:

(A) a failure occurred as described in subsection (b)(1) or (b)(2); or

(B) a person or entity acted or failed to act as described in subsection (b)(3); and

(2) provide to the treasurer of state the department of local government finance's approval under subsection (i)(2)(A) of the bill with respect to which the contractor gave notice under

subsection (u).

This subsection expires June 30, 2004.

(w) Upon receipt of the approval of the department of local government finance under subsection (v), the treasurer of state shall pay the contractor the amount of the bill approved by the department of local government finance from money in the possession of the state that would otherwise be available for distribution to the qualifying county, including distributions from the property tax replacement fund or distributions of admissions taxes or wagering taxes. This subsection expires June 30, 2004.

(x) The treasurer of state shall withhold from the part attributable to the county of the next distribution to the county treasurer under IC 4-33-12-6 **(before its repeal),** IC 4-33-13-5, IC 6-1.1-21-4(b), or another law the amount of any payment made by the treasurer of state to the contractor under subsection (w). Money shall be deducted first from money payable under IC 6-1.1-21.4(b) and then from all other funds payable to the qualifying county. This subsection expires June 30, 2004.

(y) Compliance with subsections (u) through (x) shall be treated as compliance with IC 5-11-10.This subsection expires June 30, 2004.

(z) IC 5-11-10-1.6(d) applies to the treasurer of state with respect to the payment made in compliance with subsections (u) through (x). This subsection and subsections (u) through (y) shall be interpreted liberally so that the state shall, to the extent legally valid, ensure that the contractual obligations of a county under this section are paid. Nothing in this subsection or subsections (u) through (y) shall be construed to create a debt of the state. This subsection expires June 30, 2004.

SECTION 99. IC 6-1.1-6.9 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 6.9. Rental and Cooperative Housing

Sec. 1. Notwithstanding any provision in the 2002 Real Property Assessment Manual and Real Property Assessment Guidelines for 2002-Version A, incorporated by reference in the rules of the local government finance commissioner, as codified at 50 IAC 2.3-1-2, a county property tax assessment board of appeals or the Indiana board shall consider all evidence relevant to the assessment of residential rental property regardless of whether the evidence was submitted to the township assessor before the assessment of the property.

Sec. 2. The true tax value of low income rental housing shall be determined using the capitalization of income method of valuation.

Sec. 3. The value of any tax incentive credits or other government subsidies, including below market financing, granted for the construction, conversion, or use of property as low income housing may not be considered in determining the true tax value of the property regardless of whether the credits or other subsidies are made available, directly or indirectly, to compensate the owner for the rental of low income housing at a rate that is less than the fair market rental rate for the property.

SECTION 100. IC 6-1.1-8-44 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 44. (a) Except to the extent that the following specifically conflict with a statute, 50 IAC 5.1 (as in effect January 1, 2001) is incorporated by reference into this section. 50 IAC 5.2 is void.**

(b) Tangible personal property within the scope of 50 IAC 5.1 (as in effect January 1, 2001) shall be assessed on the assessment dates in calendar years 2002 and thereafter in conformity with 50 IAC 5.1 (as in effect January 1, 2001).

(c) A public utility company that filed a statement under section 19 or 23 of this chapter for the 2002 assessment date based on assessment of the public utility company's personal property in conformity with 50 IAC 5.2 shall file an amended statement that reflects the assessment of that personal property in conformity with 50 IAC 5.1 as required by this section. Notwithstanding any other law as to the due dates for statements filed under section 19 or 23 of this chapter, the department of local government finance shall establish the due dates and prescribe the forms for the amended statements required by this subsection.

(d) Civil taxing units and school corporations shall use the assessed value resulting from amended statements filed under this section in determining budgets, rates, and levies for the 2003 calendar year and budget years thereafter and not the assessed value determined under 50 IAC 5.2.

(e) The publisher of the Indiana Administrative Code may continue to publish 50 IAC 5.1 (as in effect January 1, 2001) in the Indiana Administrative Code.

(f) 50 IAC 5.2 and any other rule to the extent that it conflicts with this section is void.

(g) A reference in 50 IAC 5.1 to a governmental entity that has been terminated or a statute that has been repealed or amended shall be treated as a reference to its successor.

SECTION 101. IC 6-1.1-12-37, AS AMENDED BY P.L.291-2001,

SECTION 142, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 37. (a) Each year a person who is entitled to receive the homestead credit provided under IC 6-1.1-20.9 for property taxes payable in the following year is entitled to a standard deduction from the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property that qualifies for the homestead credit. The auditor of the county shall record and make the deduction for the person qualifying for the deduction.

(b) Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of:

(1) one-half (1/2) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or

(2) ~~six~~ **thirty** thousand dollars ~~($6,000).~~ **($30,000).**

(c) A person who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim the deduction provided under this section with respect to that real property, mobile home, or manufactured home.

SECTION 102. IC 6-1.1-12-41 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2002 (RETROACTIVE)]: **Sec. 41. (a) This section applies to a multifamily dwelling complex for property taxes first due and payable after December 31, 2002.**

(b) The owner of a multifamily dwelling complex is entitled to a deduction from the assessed value of the multifamily dwelling complex equal to:

(1) five thousand dollars ($5,000); multiplied by

(2) the number of residential units in the multifamily dwelling complex.

(c) A certificate of occupancy that complies with this subsection is prima facie evidence that the real property is a multifamily dwelling complex. To comply with this subsection, the certificate of occupancy must:

(1) be prepared on a form prescribed by the department of local government finance;

(2) be signed under penalties of perjury by the owner of the multifamily dwelling complex or the principal officer of the

entity owning the complex; and

(3) indicate that substantially all the units in the multifamily dwelling complex were used as principal rental dwellings on an assessment date or within two (2) years before the assessment date.

(d) To obtain the deduction under this section, the:

(1) owner of the multifamily dwelling complex; or

(2) principal officer for the cooperative, common interest community, or owner's association owning the multifamily dwelling complex;

must file a certified application in duplicate, on forms prescribed by the department of local government finance, with the auditor of the county in which the property is subject to assessment. The certified application must be filed before May 11 in the year containing the assessment date to which the application applies. However, for an assessment date in 2002, the certified application may be filed before September 1, 2002.

(e) If the owner of the multifamily dwelling complex is eligible to receive:

(1) a homestead credit for the multifamily dwelling complex under IC 6-1.1-20.9; or

(2) the standard deduction for the multifamily dwelling complex under section 37 of this chapter;

the owner may not claim the deduction provided under this section.

SECTION 103. IC 6-1.1-15-11, AS AMENDED BY P.L.90-2002, SECTION 140, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. If a review or appeal authorized under this chapter results in a reduction of the amount of an assessment or if the department of local government finance on its own motion reduces an assessment, the taxpayer is entitled to a credit in the amount of any overpayment of tax on the next successive tax installment, if any, due in that year. If, after the credit is given, a further amount is due the taxpayer, he may file a claim for the amount due. If the claim is allowed by the board of county commissioners, the county auditor shall, without an appropriation being required, pay the amount due the taxpayer. The county auditor shall charge the amount refunded to the taxpayer against the accounts of the various taxing units to which the overpayment has been paid. **The county auditor shall report to the department of state revenue any refund or credit to a taxpayer made under this section resulting from a reduction of the amount of an assessment of inventory (as defined in IC 6-1.1-3-11) or business personal property (as defined in IC 6-3.1-24-2).**

SECTION 104. IC 6-1.1-18-3, AS AMENDED BY P.L.90-2002, SECTION 160, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Except as provided in subsection (b), the sum of all tax rates for all political subdivisions imposed on tangible property within a political subdivision may not exceed:

(1) forty-one and sixty-seven hundredths cents ($0.4167) on each one hundred dollars ($100) of assessed valuation in territory outside the corporate limits of a city or town; or

(2) sixty-six and sixty-seven hundredths cents ($0.6667) on each one hundred dollars ($100) of assessed valuation in territory inside the corporate limits of a city or town.

(b) The proper officers of a political subdivision shall fix tax rates which are sufficient to provide funds for the purposes itemized in this subsection. The portion of a tax rate fixed by a political subdivision shall not be considered in computing the tax rate limits prescribed in subsection (a) if that portion is to be used for one (1) of the following purposes:

(1) To pay the principal or interest on a funding, refunding, or judgment funding obligation of the political subdivision.

(2) To pay the principal or interest on an outstanding obligation issued by the political subdivision if notice of the sale of the obligation was published before March 9, 1937.

(3) To pay the principal or interest upon:

(A) an obligation issued by the political subdivision to meet an emergency which results from a flood, fire, pestilence, war, or any other major disaster; or

(B) a note issued under IC 36-2-6-18, IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county to acquire necessary equipment or facilities for municipal or county government.

(4) To pay the principal or interest upon an obligation issued in the manner provided in IC 6-1.1-20-3 (before its repeal) or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

(5) To pay a judgment rendered against the political subdivision.

(6) To meet the requirements of the family and children's fund for child services (as defined in IC 12-19-7-1).

(7) To meet the requirements of the county ~~hospital care for the indigent~~ **support for hospitals** fund.

(c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a county board of tax adjustment, a county auditor, or the department of local government finance may review the portion of a tax rate described in subsection (b) only to determine if it exceeds the portion actually needed to provide for one (1) of the purposes itemized in that subsection.

SECTION 105. IC 6-1.1-18.5-2, AS AMENDED BY P.L.198-2001, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 2. (a) This subsection applies to a calendar year ending before January 1, 2006. For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: **Subject to subsection (e),** compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1).

(b) This subsection applies to a calendar year beginning after December 31, 2005. For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total unadjusted assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total unadjusted assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1).

(c) This subsection applies to a calendar year ending before January 1, 2006. If the assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (a) for that particular calendar year. The department of local government finance shall replace that quotient with one that as accurately as possible will reflect the actual growth in the civil taxing unit's assessed values of real property from the immediately preceding calendar year to that particular calendar year.

(d) This subsection applies to a calendar year beginning after December 31, 2005. If the unadjusted assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the unadjusted assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (b) for that particular calendar year. The department of local government finance shall replace that quotient with one that, as accurately as possible, will reflect the actual growth in the civil taxing unit's unadjusted assessed values of real property from the immediately preceding calendar year to that particular calendar year.

(e) The total assessed value of a civil taxing unit to be used for 2003 and 2004 in the determination of an assessed value growth quotient under subsection (a) includes the actual assessed value of

dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 106. IC 6-1.1-18.5-3, AS AMENDED BY P.L.1-2002, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3. (a) Except as otherwise provided in this chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as not being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, that was used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of subsection (b) for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in either the last STEP of section 2(a) of this chapter for calendar years ending before January 1, 2006, or the last STEP of section 2(b) of this chapter for calendar years beginning after December 31, 2005.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or, **subject to subsection (g),** the quotient (rounded to the nearest ten-thousandth), of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in either the last STEP of section 2(a) of this chapter for calendar years ending before January 1, 2006, or the last STEP of section 2(b) of this chapter for calendar years beginning after December 31, 2005.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or, **subject to subsection (g),** the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection.

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

(d) This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

(A) the amount determined in STEP ONE; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:

(i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or

(ii) the civil taxing unit's base year certified share.

STEP FOUR: Determine the greater of:

(A) zero (0); or

(B) the amount determined in STEP TWO minus the amount determined in STEP THREE.

Add the amount determined in STEP FOUR to the amount determined in subsection (e), STEP THREE, as provided in subsection (e), STEP FOUR.

(e) For each civil taxing unit, the amount to be subtracted under subsection (b), STEP EIGHT, is determined using the following formula:

STEP ONE: Determine the lesser of the civil taxing unit's base year certified share for the ensuing calendar year, as determined under section 5 of this chapter, or the civil taxing unit's certified share for the ensuing calendar year.

STEP TWO: Determine the greater of:

(A) zero (0); or

(B) the remainder of:

(i) the amount of federal revenue sharing money that was received by the civil taxing unit in 1985; minus

(ii) the amount of federal revenue sharing money that will be received by the civil taxing unit in the year preceding the ensuing calendar year.

STEP THREE: Determine the lesser of:

(A) the amount determined in STEP TWO; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

(f) As used in this section, a taxing unit's "determination year" means the latest of:

(1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;

(2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or

(3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year	0

COUNTIES WITH A TAX RATE OF 3/4%

Year	Subsection (e) Factor

For the determination year and each ensuing calendar year following the determination year	1/2

COUNTIES WITH A TAX RATE OF 1.0%

Year	Subsection (d) Factor	Subsection (e) Factor
For the determination year	1/6	1/3
For the ensuing calendar year following the determination year	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years	1/3	1/3

(g) The assessed value of all taxable property subject to a civil taxing unit's ad valorem property tax levy to be used for 2002, 2003, and 2004 in the determination of a quotient under subsection (a), STEP THREE, or subsection (b), STEP THREE, includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 107. IC 6-1.1-18.5-9.7, AS AMENDED BY P.L.273-1999, SECTION 55, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9.7. (a) The ad valorem property tax levy limits imposed by section 3 of this chapter do not apply to ad valorem property taxes imposed under any of the following:

(1) ~~IC 12-16, except IC 12-16-1.~~ **IC 12-15.5.**

(2) IC 12-19-5.

(3) IC 12-19-7.

(4) IC 12-20-24.

(b) For purposes of computing the ad valorem property tax levy limits imposed under section 3 of this chapter, a county's or township's ad valorem property tax levy for a particular calendar year does not include that part of the levy imposed under the citations listed in subsection (a).

(c) Section 8(b) of this chapter does not apply to bonded indebtedness that will be repaid through property taxes imposed under IC 12-19.

SECTION 108. IC 6-1.1-18.5-9.8, AS AMENDED BY P.L.90-2002, SECTION 165, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 9.8. (a) For purposes of determining the property tax levy limit imposed on a city, town, or county under section 3 of this chapter, the city, town, or county's ad valorem property tax levy for a particular calendar year does not include an amount equal to the lesser of:

(1) the amount of ad valorem property taxes that would be first

due and payable to the city, town, or county during the ensuing calendar year if the taxing unit imposed the maximum permissible property tax rate per one hundred dollars ($100) of assessed valuation that the civil taxing unit may impose for the particular calendar year under the authority of IC 36-9-14.5 (in the case of a county) or IC 36-9-15.5 (in the case of a city or town); or

(2) the excess, if any, of:

(A) the property taxes imposed by the city, town, or county under the authority of:

IC 3-11-6-9;
IC 8-16-3;
IC 8-16-3.1;
IC 8-22-3-25;
IC 14-27-6-48;
IC 14-33-9-3;
IC 16-22-8-41;
IC 16-22-5-2 through IC 16-22-5-15;
IC 16-23-1-40;
IC 36-8-14;
IC 36-9-4-48;
IC 36-9-14;
IC 36-9-14.5;
IC 36-9-15;
IC 36-9-15.5;
IC 36-9-16;
IC 36-9-16.5;
IC 36-9-17;
IC 36-9-26;
IC 36-9-27-100;
IC 36-10-3-21; or
IC 36-10-4-36;

that are first due and payable during the ensuing calendar year; over

(B) the property taxes imposed by the city, town, or county under the authority of the citations listed in clause (A) that were first due and payable during calendar year 1984.

(b) The maximum property tax rate levied under the statutes listed in subsection (a) must be adjusted each time a general reassessment of property takes effect.

(c) The new maximum rate under a statute listed in subsection (a) is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the political subdivision levying a property tax under the statute for the year preceding the year in which the general reassessment takes effect.

STEP TWO: **Subject to subsection (e),** determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: **Subject to subsection (e),** compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(d) The department of local government finance shall compute the maximum rate allowed under subsection (c) and provide the rate to each political subdivision with authority to levy a tax under a statute listed in subsection (a).

(e) The assessed value of taxable property to be used in the determination of the actual percentage increase in assessed value:

(1) for 2002 under subsection (c), STEP TWO; and

(2) for 2003 and 2004 under subsection (c), STEP FOUR;

includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 109. IC 6-1.1-19-1.5, AS AMENDED BY P.L.90-2002, SECTION 173, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 1.5. (a) The following definitions apply throughout this section and IC 21-3-1.7:

(1) "Adjustment factor" means the adjustment factor determined

by the department of local government finance for a school corporation under IC 6-1.1-34.

(2) "Adjusted target property tax rate" means:

(A) the school corporation's target general fund property tax rate determined under IC 21-3-1.7-6.8; multiplied by

(B) the school corporation's adjustment factor.

(3) "Previous year property tax rate" means the school corporation's previous year general fund property tax rate after the reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3).

(b) Except as otherwise provided in this chapter, a school corporation may not, for an ensuing calendar year, impose a general fund ad valorem property tax levy which exceeds the following:

STEP ONE: Determine the result of:

(A) the school corporation's adjusted target property tax rate; minus

(B) the school corporation's previous year property tax rate.

STEP TWO: Determine the result of:

(A) the school corporation's target general fund property tax rate determined under IC 21-3-1.7-6.8; multiplied by

(B) the quotient resulting from:

(i) the absolute value of the result of the school corporation's adjustment factor minus one (1); divided by

(ii) two (2).

STEP THREE: If the school corporation's adjusted target property tax rate:

(A) exceeds the school corporation's previous year property tax rate, perform the calculation under STEP FOUR and not under STEP FIVE;

(B) is less than the school corporation's previous year property tax rate, perform the calculation under STEP FIVE and not under STEP FOUR; or

(C) equals the school corporation's previous year property tax rate, determine the levy resulting from using the school corporation's adjusted target property tax rate and do not perform the calculation under STEP FOUR or STEP FIVE.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under clause (C) in 2002 and in 2003. **For purposes of this STEP, the school corporation's 2002 assessed valuation includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.**

STEP FOUR: Determine the levy resulting from using the school corporation's previous year property tax rate after increasing the rate by the lesser of:

(A) the STEP ONE result; or

(B) the sum of:

(i) five cents ($0.05); plus

(ii) if the school corporation's adjustment factor is more than one (1), the STEP TWO result.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under this STEP in 2002 and in 2003. **For purposes of this STEP, the school corporation's 2002 assessed valuation includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.**

STEP FIVE: Determine the levy resulting from using the school corporation's previous year property tax rate after reducing the rate by the lesser of:

(A) the absolute value of the STEP ONE result; or

(B) the sum of:

(i) nine cents ($0.09); plus

(ii) if the school corporation's adjustment factor is less than one (1), the STEP TWO result.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under this STEP in 2002 and in 2003. **For purposes of this STEP, the school corporation's 2002 assessed valuation includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.**

STEP SIX: Determine the result of:

(A) the STEP THREE (C), STEP FOUR, or STEP FIVE result, whichever applies; plus

(B) an amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

The maximum levy is to include the portion of any excessive levy and the levy for new facilities.

(c) For purposes of this section, "total assessed value", as adjusted under subsection (d), with respect to a school corporation means the total assessed value of all taxable property for ad valorem property taxes first due and payable during that year.

(d) The department of local government finance may adjust the total assessed value of a school corporation to eliminate the effects of appeals and settlements arising from a statewide general reassessment of real property.

(e) The department of local government finance shall annually establish an assessment ratio and adjustment factor for each school corporation to be used upon the review and recommendation of the budget committee. The information compiled, including background documentation, may not be used in a:

(1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13, IC 6-1.1-14, or IC 6-1.1-15;
(2) petition for a correction of error under IC 6-1.1-15-12; or
(3) petition for refund under IC 6-1.1-26.

(f) All tax rates shall be computed by rounding the rate to the nearest one-hundredth of a cent ($0.0001). All tax levies shall be computed by rounding the levy to the nearest dollar amount.

SECTION 110. IC 6-1.1-20.9-2, AS AMENDED BY P.L.291-2001, SECTION 125, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

(1) the percentage prescribed in subsection (d); multiplied by
(2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is:
(A) attributable to the homestead during the particular calendar year; **and**
(B) determined after the application of the property tax replacement credit under IC 6-1.1-21.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through ~~2003~~ **2002**	10%
~~2004~~ **2003** and thereafter	~~4%~~ **27.5%**

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

(1) an individual uses the residence as the individual's principal place of residence;
(2) the residence is located in Indiana;
(3) the individual has a beneficial interest in the taxpayer;
(4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
(5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 111. IC 6-1.1-20.9-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS

[EFFECTIVE JULY 1, 2002]: **Sec. 7. Not later than September 15, 2002, each county auditor shall mail or otherwise distribute a written notice to each individual who is eligible for a homestead credit. The notice shall be distributed to the address of the individual provided in the credit statement filed under section 3 of this chapter or, if the address is incomplete on the credit statement, the tax duplicate or special assessment records. The notice must describe the homestead credit provided to an individual under this chapter in substantially the following form:**

"Your assessing officials are doing a general reassessment of all real property in the county. The reassessment is necessary to comply with Indiana law. The Indiana General Assembly has enacted changes to the property tax replacement credit and the homestead credit to substantially reduce the effects that this reassessment may have on your home. In the first year that the reassessment applies, the property tax replacement credit will reduce the tax that you pay on the value of your home by 22.5% and the homestead credit will reduce the tax by an additional 27.5%. Local services will not be affected by these credits. Local government units will receive a distribution of state tax revenues to replace the amount of these credits.

SECTION 112. IC 6-1.1-21-2, AS AMENDED BY P.L.85-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on **eligible** property assessed under this article. **However, for the purposes of section 13 of this chapter, the term refers to a person that is liable for taxes on inventory assessed under this article.**

(b) "Taxes" means **property** taxes payable in respect to **eligible** property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5, is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) IC 21-2-11.6 for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5(a) STEP ONE or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(5) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of

IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995; plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is equal to the sum of the following:

(1) Fifty percent (50%) of the total levy imposed by each school corporation in a county for its transportation fund for a stated assessment year.

(2) Forty-one percent (41%) of the total levy imposed by each school corporation in a county for its general fund for a stated assessment year.

(3) Twenty-two and five-tenths percent (22.5%) of the total county tax levy (less any part of the total county tax levy attributable to a levy for the general fund or transportation fund of a school corporation) imposed in a county on real property for a stated assessment year.

(4) Twenty-two and five-tenths percent (22.5%) of the total county tax levy (less any part of the total county tax levy attributable to a levy for the general fund or transportation fund of a school corporation) imposed in a county on tangible personal property, excluding inventory and business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business; or

(2) held, used, or consumed in connection with the production of income;

excluding inventory (as defined in IC 6-1.1-3-11).

(l) "Eligible property" means:

(1) with respect to an ad valorem property tax levy imposed by a school corporation for its general fund or transportation fund), all property assessed under this article; and

(2) with respect to a total county tax levy (less any part of the total county tax levy attributable to a levy for the general fund or transportation fund of a school corporation):

(A) real property; and

(B) tangible personal property other than inventory.

(m) "Taxpayer's property tax replacement credit amount" means the sum of the following:

(1) Fifty percent (50%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its transportation fund for a stated assessment year.

(2) Forty-one percent (41%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.

(3) Twenty-two and five-tenths percent (22.5%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less any part of the total county tax levy attributable to a levy for the general fund or transportation fund of a school corporation) on real property.

(4) Twenty-two and five-tenths percent (22.5%) of a taxpayer's tax liability (as described in section 5 of this chapter) for a stated assessment year for a total county tax levy (less any part of the total county tax levy attributable to a levy for the general fund or transportation fund of a school corporation) on tangible personal property other than inventory or business personal property.

(n) "Inventory" has the meaning set forth in IC 6-1.1-3-11.

(o) "Combined business group" means:

(1) an affiliated group that files a consolidated return under IC 6-2.1-5-5 or IC 6-3-4-14; or

(2) a partnership, joint venture, or pool, regardless of the number of partners or participants in the organization.

(p) "Net ad valorem property taxes", for purposes of section 13 of this chapter, means the amount of property taxes first due and payable and paid by a taxpayer for a particular calendar year after the application of all property tax exemptions, property tax deductions, and property tax credits allowed or allowable to reduce the property tax liability of the taxpayer for the particular calendar year. The term includes property taxes levied in an allocation area (as defined in IC 12-19-1.5-1) that are allocated to a special fund.

(q) "Tax liability" means tax liability as described in section 5 of this chapter.

SECTION 113. IC 6-1.1-21-3, AS AMENDED BY P.L.90-2002, SECTION 200, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) On or before March 1 of each year, the department of local government finance shall certify to the department on a form approved by the state board of accounts, an estimate of the total county tax levy collectible **on eligible property** in that calendar year for each county in the state. The estimate shall be based on the tax collections for the preceding calendar year, adjusted as necessary to reflect the total county tax levy (as defined in section 2(g) of this chapter) from the budgets, tax levies, and rates as finally determined and acted upon by the department of local government finance. The department, with the assistance of the auditor of state, shall determine on the basis of the report an amount equal to ~~twenty percent (20%) of~~ the ~~total county tax levy,~~ **eligible property tax replacement amount,** which is the estimated property tax replacement.

(b) In the same report containing the estimate of a county's total county tax levy, the department of local government finance shall also certify the amount of homestead credits provided under IC 6-1.1-20.9 which are allowed by the county for the particular calendar year.

(c) If there are one (1) or more taxing districts in the county that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter, the department of local government finance shall estimate an additional distribution for the county in the same report required under subsection (a). This additional distribution equals the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the estimated property tax replacement determined under subsection (a) that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) The sum of the amounts determined under subsections (a) through (c) is the particular county's estimated distribution for the calendar year.

SECTION 114. IC 6-1.1-21-4, AS AMENDED BY P.L.198-2001, SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of:

(1) ~~twenty percent (20%) of~~ each county's total ~~county tax levy payable~~ **eligible property tax replacement amount for** that year; ~~plus~~

(2) the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year;

plus
(3) an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:
STEP ONE: Determine that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.
STEP TWO: Divide:
(A) that part of the subdivision (1) amount that is attributable to the taxing district; by
(B) the STEP ONE sum.
STEP THREE: Multiply:
(A) the STEP TWO quotient; times
(B) the ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(b) Except as provided in subsection (e), between March 1 and August 31 of each year, the department shall distribute to each county treasurer from the property tax replacement fund one-half (1/2) of the estimated distribution for that year for the county. Between September 1 and December 15 of that year, the department shall distribute to each county treasurer from the property tax replacement fund the remaining one-half (1/2) of each estimated distribution for that year. The amount of the distribution for each of these periods shall be according to a schedule determined by the property tax replacement fund board under section 10 of this chapter. The estimated distribution for each county may be adjusted from time to time by the department to reflect any changes in the total county tax levy upon which the estimated distribution is based.

(c) On or before December 31 of each year or as soon thereafter as possible, the department shall make a final determination of the amount which should be distributed from the property tax replacement fund to each county for that calendar year. This determination shall be known as the final determination of distribution. The department shall distribute to the county treasurer or receive back from the county treasurer any deficit or excess, as the case may be, between the sum of the distributions made for that calendar year based on the estimated distribution and the final determination of distribution. The final determination of distribution shall be based on the auditor's abstract filed with the auditor of state, adjusted for postabstract adjustments included in the December settlement sheet for the year, and such additional information as the department may require.

(d) All distributions provided for in this section shall be made on warrants issued by the auditor of state drawn on the treasurer of state. If the amounts allocated by the department from the property tax replacement fund exceed in the aggregate the balance of money in the fund, then the amount of the deficiency shall be transferred from the state general fund to the property tax replacement fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the payment of that amount. However, any amount transferred under this section from the general fund to the property tax replacement fund shall, as soon as funds are available in the property tax replacement fund, be retransferred from the property tax replacement fund to the state general fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the replacement of that amount.

(e) Except as provided in subsection (i), the department shall not distribute under subsection (b) and section 10 of this chapter the money attributable to the county's property reassessment fund if, by the date the distribution is scheduled to be made, the county auditor has not sent a certified statement required to be sent by that date under IC 6-1.1-17-1 to the department of local government finance.

(f) Except as provided in subsection (i), if the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor has not transmitted to the department of local government finance by October 1 of the year in which the distribution is scheduled to be made the data for all townships in the county required to be transmitted under IC 6-1.1-4-25(b), the state board or the department shall not distribute under subsection (b) and section 10 of this chapter a part of the money attributable to the county's property reassessment fund. The portion not distributed is the amount that bears the same proportion to the total potential distribution as the number of townships in the county for which data was not transmitted by August 1 as described in this section bears to the total number of townships in the county.

(g) Money not distributed under subsection (e) shall be distributed to the county when the county auditor sends to the department of local government finance the certified statement required to be sent under IC 6-1.1-17-1 with respect to which the failure to send resulted in the withholding of the distribution under subsection (e).

(h) Money not distributed under subsection (f) shall be distributed to the county when the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor transmits to the department of local government finance the data required to be transmitted under IC 6-1.1-4-25(b) with respect to which the failure to transmit resulted in the withholding of the distribution under subsection (f).

(i) The restrictions on distributions under subsections (e) and (f) do not apply if the department of local government finance determines that:

(1) the failure of a county auditor to send a certified statement as described in subsection (e); or

(2) the failure of an official to transmit data as described in subsection (f);

is justified by unusual circumstances.

SECTION 115. IC 6-1.1-21-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) Each year the taxpayers of each county shall receive a credit for property tax replacement in the amount of ~~twenty percent (20%) of the tax liability (as defined in this section) of~~ each ~~taxpayer~~ **taxpayer's property tax replacement credit amount** for taxes which under IC 6-1.1-22-9 are due and payable in May and November of that year. The credit shall be applied to each installment of taxes. The dollar amount of the credit for each taxpayer shall be determined by the county auditor, based on data furnished by the state board of tax commissioners.

(b) The tax liability of a taxpayer for the purpose of computing the credit for a particular year shall be based upon the taxpayer's tax liability as is evidenced by the tax duplicate for the taxes payable in that year, plus the amount by which the tax payable by the taxpayer had been reduced due to the application of county adjusted gross income tax revenues to the extent the county adjusted gross income tax revenues were included in the determination of the total county tax levy for that year, as provided in sections 2(g) and 3 of this chapter, adjusted, however, for any change in assessed valuation which may have been made pursuant to a post-abstract adjustment if the change is set forth on the tax statement or on a corrected tax statement stating the taxpayer's tax liability, as prepared by the county treasurer in accordance with IC 6-1.1-22-8(a). However, **except when using the term under section 2(m)(1) or 2(m)(2) of this chapter,** the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer that is attributable to that part of any property tax levy subtracted under section 2(g)(1)(B), 2(g)(1)(C), 2(g)(1)(D), 2(g)(1)(E), 2(g)(1)(F), 2(g)(1)(G), (2)(g)(1)(H), 2(g)(1)(I), ~~or~~ 2(g)(1)(J), **or 2(g)(1)(K)** of this chapter in computing the total county tax levy.

~~(b)~~ **(c)** The credit for taxes payable in a particular year with respect to mobile homes which are assessed under IC 6-1.1-7 is ~~twenty percent (20%) of~~ the **equivalent to the taxpayer's property tax replacement credit amount for the** taxes payable with respect to the assessments plus the adjustments stated in this section.

~~(c)~~ **(d)** Each taxpayer in a taxing district that contains all or part of an economic development district that meets the requirements of section 5.5 of this chapter is entitled to an additional credit for property tax replacement. This credit is equal to the product of:

(1) the STEP TWO quotient determined under section 4(a)(3) of this chapter for the taxing district; multiplied by

(2) the taxpayer's ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

SECTION 116. IC 6-1.1-21-10, AS AMENDED BY P.L.176-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) There is established a property tax replacement fund board to consist of the commissioner of the department, the commissioner of the department of local government finance, the director of the budget agency, and two (2) ex officio nonvoting representatives of the general assembly of the state of Indiana. The speaker of the house of representatives shall appoint one (1) member of the house as one (1) of the ex officio nonvoting representatives, and the president pro tempore of the senate shall appoint one (1) senator as the other ex officio nonvoting representative, each to serve at the will of the appointing officer. The commissioner of the department shall be the chairman of the board, and the director of the budget agency shall be the secretary of the board.

(b) The board may, upon a vote of a majority of the members of the board, increase the percentage of property tax replacement funds to be distributed from the property tax replacement fund to the several counties for credit to the taxpayers in the counties as provided in this chapter if in the judgment of the board there are surplus funds available in the fund for the increased distribution. The board shall make such a determination on or before March 1 of each year relative to the amounts to be distributed from the property tax replacement fund for that year. Upon such a determination the commissioner of the department of state revenue shall immediately notify the treasurers of the several counties of the increased distribution.

(c) Except as provided in section 10.5 of this chapter, the schedule to be used in making distributions to county treasurers during the periods set forth in section 4(b) of this chapter is as follows:

January	0.00%

February	0.00%
March	16.70%
April	16.70%
May	~~16.60%~~ **0.00%**
June	0.00%
July	~~0.00%~~ **16.60%**
August	0.00%
September	16.70%
October	16.70%
November	16.60%
December	0.00%

The board may authorize the department to distribute the estimated distributions to counties earlier than what is required under section 4(b) of this chapter.

(d) The board is also authorized to transfer funds from the property tax replacement fund for the purpose of providing financial aid to school corporations as provided in IC 21-3.

SECTION 117. IC 6-1.1-21-13 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 13. (a) This section applies to net ad valorem property taxes first due and payable after December 31, 2002.**

(b) Subject to subsection (c), a taxpayer is entitled to a refund equal to fifty percent (50%) of the net ad valorem property taxes paid by the taxpayer in the immediately preceding calendar year on the taxpayer's inventory. To receive the refund provided by this section, a taxpayer must claim the refund:

(1) after November 15 in the year that the property taxes were first due and payable and before February 15 in the calendar year immediately following the calendar year in which the property taxes were first due and payable; and

(2) in the manner prescribed by the department.

The taxpayer shall submit to the department proof of payment of the net ad valorem property taxes and all information that the department determines is necessary for the calculation of the refund provided by this section.

(c) This section applies to a taxpayer that was eligible to receive a refund under this section in an immediately previous calendar year. The maximum total refund that a combined business group or another taxpayer is entitled to receive in a calendar year under this section may not exceed the result determined by multiplying the greater of:

(1) one and two-hundredths (1.02); or

(2) the rate set by the department of local government finance after an appeal under subsection (e);

by the refund allowed or allowable under this section for the immediately previous calendar year.

(d) A taxpayer may appeal to the department of local government finance for an increase in the one and two-hundredths (1.02) maximum rate set by subsection (c)(1). If the department of local government finance, upon recommendation of the local government control board, determines that the taxpayer has experienced an increase in assessed value as a result of increased economic activity by the taxpayer, the department of local government finance may increase the maximum rate set under subsection (c)(1) for one (1) or more calendar years. However, the maximum rate may not be increased to a level that would result in the taxpayer receiving a refund that exceeds the amount of net ad valorem property taxes paid by the taxpayer during the calendar year covered by the refund.

(e) If for any reason the net ad valorem property taxes for which the taxpayer received a refund under this section are reduced, the taxpayer shall make a payment to the state equal to the portion of the refund that was attributable to the reduced net ad valorem property taxes. IC 6-8.1 applies to the recovery of an amount due to the state under this subsection to the same extent as if ad valorem property taxes were a listed tax.

(f) The amount necessary to pay the refunds provided by this section is annually appropriated from the property tax replacement fund.

SECTION 118. IC 6-1.1-26-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 7. The county auditor shall report to the department of state revenue any refund to a taxpayer made under this chapter resulting from a reduction of the amount of an assessment of inventory (as defined in IC 6-1.1-3-11) or business personal property (as defined in IC 6-3.1-24-2).**

SECTION 119. IC 6-1.1-31-11.5, AS ADDED BY P.L.198-2001, SECTION 77, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 11.5. (a) Subject to subsection ~~(b),~~ **(c),** the department of local government finance shall adopt rules under IC 4-22-2 to govern the practice of representatives in proceedings before the property tax assessment board of appeals and the department of local government finance.

(b) **The department of local government finance shall adopt rules under subsection (a) to establish a program for the licensure of tax representatives (as defined in 50 IAC 15-5-1). The rules adopted under this subsection must require:**

(1) an applicant for a license or a license holder to pay an annual licensure fee of fifty dollars ($50); and

(2) the department of local government finance to transfer all licensure fees collected to the treasurer of state for deposit in the state general fund.

(c) Except as provided in subsection ~~(c),~~ **(d),** a rule adopted under subsection (a) may not:

(1) restrict the ability of a representative to practice before the property tax assessment board of appeals or the department of local government finance based on the fact that the representative is not an attorney admitted to the Indiana bar; or

(2) restrict the admissibility of written or oral testimony of a representative or other witness based upon the manner in which the representative or other witness is compensated.

~~(c)~~ **(d)** A rule adopted under subsection (a) may require a representative in a proceeding before the property tax assessment board of appeals or the department of local government finance to be an attorney admitted to the Indiana bar if the matter under consideration in the proceeding is:

(1) an exemption for which an application is required under IC 6-1.1-11;

(2) a claim that taxes are illegal as a matter of law;

(3) a claim regarding the constitutionality of an assessment; or

(4) any other matter that requires representation that involves the practice of law.

~~(d)~~ **(e)** This subsection applies to a petition that is filed with the property tax assessment board of appeals or a matter under consideration by the department of local government finance before the adoption of a rule under subsection (a) that establishes new standards for:

(1) the presentation of evidence or testimony; or

(2) the practice of representatives.

The property tax assessment board of appeals or the department of local government finance may not dismiss a petition or reject consideration of a matter solely for failure to comply with the rule adopted under subsection (a) without providing the petitioner with an opportunity to present evidence, testimony, or representation in compliance with the rule.

SECTION 120. IC 6-1.1-35.2-3, AS AMENDED BY P.L.198-2001, SECTION 84, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Each year the department of local government finance shall conduct the continuing education sessions required in the rules adopted by the department for all assessing officials, county assessors, and all members of, and hearing officers for, the county property tax assessment board of appeals. These sessions must be conducted at the locations described in subsection (b).

(b) To ensure that all assessing officials, assessors, and members of county property tax assessment boards of appeals have an opportunity to attend the continuing education sessions required by this section, the department of local government finance shall conduct the continuing education sessions at a minimum of four (4) separate regional locations. The department shall determine the locations of the continuing education sessions, but:

(1) at least one (1) continuing education session must be held in the northeastern part of Indiana;

(2) at least one (1) continuing education session must be held in the northwestern part of Indiana;

(3) at least one (1) continuing education session must be held in the southeastern part of Indiana; and

(4) at least one (1) continuing education session must be held in the southwestern part of Indiana.

The four (4) regional continuing education sessions may not be held in Indianapolis. However, the department of local government finance may, after the conclusion of the four (4) continuing education sessions, provide additional continuing education sessions at locations determined by the department.

(c) **This subsection does not apply to assessing officials and their employees, county assessors and their employees, members and employees of, and hearing officers for, the county property tax assessment board of appeals, or employees of the department of local government finance. The department of local government finance shall collect a fee of:**

(1) one hundred dollars ($100) from an individual who attends a full day continuing education session that provides more than three and one-half (3 1/2) hours of continuing education credit; or

(2) fifty dollars ($50) from an individual who attends a half day continuing education session that provides three and one-half (3 1/2) or fewer hours of continuing education credit.

All fees collected by the department of local government finance

under this subsection shall be deposited in the assessing official training account established under IC 6-1.1-35.5-7.

(d) Any assessing official, county assessor, or member of, and hearing officers for, the county property tax assessment board of appeals who attends required sessions is entitled to receive a mileage allowance and the per diem per session set by the department of local government finance by rule adopted under IC 4-22-2 from the county in which the official resides. A person is entitled to a mileage allowance under this section only for travel between the person's place of work and the training session nearest to the person's place of work.

SECTION 121. IC 6-1.1-39-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) An economic development district may be enlarged by the fiscal body by following the same procedure for the creation of an economic development district specified in this chapter. Property taxes that are attributable to the additional area and allocable to the economic development district are not eligible for the property tax replacement credit provided by IC 6-1.1-21-5. However, subject to subsection (c), each taxpayer in an additional area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district in a county that contains all or part of the additional area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~twenty percent (20%) of~~ the county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to a special fund under section 5 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the economic development district and paid into a special fund under section 5(a) of this chapter.

(b) If the additional credit under subsection (a) is not reduced under subsection (c) or (d), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (a) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an additional area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (a) shall be combined on the tax statements sent to each taxpayer.

(c) The county fiscal body may, by ordinance, provide that the additional credit described in subsection (a):

(1) does not apply in a specified additional area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified additional area.

(d) Whenever the county fiscal body determines that granting the full additional credit under subsection (a) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the county fiscal body must adopt an ordinance under subsection (c) to deny the additional credit or reduce the additional credit to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. An ordinance adopted under subsection (c) denies or reduces the additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** first due and payable in any year following the year in which the ordinance is adopted.

(e) An ordinance adopted under subsection (c) remains in effect until the ordinance is rescinded by the body that originally adopted the ordinance. However, an ordinance may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If an ordinance is rescinded and no other ordinance is adopted, the additional credit described in subsection (a) applies to ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** first due and payable in each year following the year in which the resolution is rescinded.

SECTION 122. IC 6-2.1-1-0.7 IS ADDED TO THE INDIANA

CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 0.7. This article applies only to a taxpayer that is a public utility.**

SECTION 123. IC 6-2.1-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) Except as expressly provided in this article, "gross income" means all the gross receipts a taxpayer receives:

(1) from trades, businesses, or commerce;
(2) as admission fees or charges;
(3) from the sale, transfer, or exchange of property, real or personal, tangible or intangible;
(4) from the performance of contracts;
(5) as prizes or premiums;
(6) from insurance policies;
(7) as damages or judgments;
(8) from the investment of capital, including interest, discounts, rentals, royalties, dividends, fees, and commissions;
(9) from the surrender, sale, transfer, exchange, redemption of, or distribution upon, stock of corporations or associations; and
(10) from any other source not specifically described in this subsection.

(b) Except as provided in IC 6-2.1-4, no deductions from a taxpayer's gross income may be taken for return of capital invested, cost of property sold, cost of materials used, labor costs, interest, discounts, commissions paid or credited, losses, or any other expense paid or credited.

(c) The term "gross income" does not include:

(1) the receipt or repayment of borrowed money;
(2) receipts from the issuance or redemption of bonds;
(3) amounts received as payment of the principal amount of a note taken in lieu of cash if:
 (A) the face value of the note was included in the taxpayer's gross income at the time of acceptance;
 (B) the note was taken before May 1, 1933; or
 (C) the note is a renewal of a note that was taken before May 1, 1933;
(4) amounts received in payment of, or from the sale of, a promissory note or retail installment contract described in subsection (f) of this section to the extent the gross income tax has previously been paid for the receipt of the promissory note or retail installment contract;
(5) amounts received as withdrawal of deposits to the extent they

constitute principal;

(6) gross receipts received by corporations incorporated under the laws of Indiana from a trade or business situated and regularly carried on at a legal situs outside Indiana or from activities incident to such trade or business (including the disposal of capital assets or other properties which were acquired and used in such trade or business);

~~(7) that part of a commission received by a real estate broker that is paid within five (5) days of the receipt of the commission to a cooperating broker or to an associated broker or salesman;~~

~~(8) amounts received by a corporation or a division of a corporation owned, operated, or controlled by its member electric cooperatives as payment from the electric cooperatives for electrical energy to be resold to their member-owner consumers;~~

~~(9) amounts received by an association of members or a corporation as:~~

~~(A) regularly paid dues, initiation fees, or membership fees paid for social membership; and~~

~~(B) amounts paid to the organization by members if:~~

~~(i) the organization is organized not for profit;~~

~~(ii) such amounts are payable upon the death of a member and do not exceed one dollar ($1) payable by each surviving member at the death of any one (1) member;~~

~~(iii) the number of members who are permitted to make such payments does not exceed one thousand seven hundred (1,700) at any one (1) time;~~

~~(iv) the total amount paid to the beneficiary of any one (1) deceased member does not exceed one thousand dollars ($1,000); and~~

~~(v) the amounts received are only for the purpose of paying reasonable expenses of the organization and payments to beneficiaries of deceased members;~~

~~(10)~~ **(7)** amounts received as the corpus of an outright gift, devise, or bequest;

~~(11)~~ **(8)** cash discounts allowed and taken on sales;

~~(12)~~ **(9)** goods, wares, or merchandise, or the value thereof, returned by customers if the sale price is refunded either in cash or by credit;

~~(13)~~ **(10)** judgments for income that are not taxable under this article;

~~(14)~~ **(11)** the receipt of capital by a corporation, partnership, firm, or joint venture from the sale of stock or shares in such corporation, partnership, firm, or joint venture, or contributions to the capital thereof;

~~(15)~~ **(12)** the gross receipts represented by the value of real or tangible personal property received in reciprocal exchange for real or tangible personal property of like kind by and between the owners of the property to the extent of the value of the property or the interest therein of which title is surrendered;

~~(16)~~ **(13)** the gross receipts represented by the value of stock of a corporation or association received in a reciprocal exchange by and between the owners of the stock (including the issuing corporation or association) for stock in the same corporation or association to the extent of the value of the stock or the interest therein of which title is surrendered;

~~(17)~~ **(14)** the gross receipts represented by the value of bonds or similar securities issued by a corporation or association received in a reciprocal exchange by and between the owners of the bonds or securities (including the issuing corporation or association) for bonds or similar securities issued by the same corporation or association to the extent of the value of such bonds or similar securities or the interest therein of which title is surrendered;

~~(18)~~ **(15)** the gross receipts represented by the value of stocks, bonds, or other securities received in a reciprocal exchange by and between the owners of the stocks, bonds, or other securities for other stocks, bonds, or other securities to the extent title is surrendered, if the exchange is made in the course of a consolidation, merger, or other reorganization and the stock, bonds, or other securities received are issued by one (1) or more corporations or associations that are each a party to the reorganization;

~~(19)~~ **(16)** the gross receipts represented by the value of stocks, bonds, or other securities received in a reciprocal exchange by and between the owners thereof of substantially all of the assets of another corporation if the exchange is made in the course of a consolidation, merger, or other reorganization and the stocks, bonds, or other securities received are issued by one (1) or more corporations or associations that are each a party to the reorganization; **and**

~~(20) in the case of insurance carriers, amounts that become or are used to maintain a reserve or other policy liability, to the extent the reserve or other policy liability is required to be maintained by the state of Indiana;~~

~~(21) in the case of domestic insurance carriers, premium income~~

~~that is derived from business conducted outside Indiana on which the domestic carrier pays a premium tax of one percent (1%) or more; and~~

~~(22)~~ **(17)** amounts received by a joint agency established under IC 8-1-2.2 that constitutes a payment by a municipality that is a member of the joint agency for electrical energy that will be sold by the municipality to retail customers.

(d) The exclusion provided by clause (6) of subsection (c) does not apply to any receipts of a taxpayer received as interest or dividends, from sales, other receipts from investments not acquired or disposed of in connection with the taxpayer's regular business, or to bonuses or commissions received by any taxpayer.

(e) The exclusion provided by subsection ~~(c) clause (14)~~ **(c)(11)** does not apply to proceeds that are derived from subsequent transactions in stock of such corporations or organizations or in the interest or shares of the members of any organization.

(f) The face amount of a retail installment contract or promissory note that is derived from the selling, providing, repairing, working with or on, or servicing of any personal property, or any combination of the foregoing, is includable in a taxpayer's gross income upon receipt. However, any part of a retail installment contract or promissory note that represents insurance premiums or consideration which the retail buyer contracts to pay the retail seller for the privilege of paying the principal balance in installments over a period of time is includable in a taxpayer's gross income when received.

(g) For purposes of this section:

(1) "Exchange" means the transfer of title or ownership by means of a transaction involving the barter or swap of property acquired prior to the exchange, by and between the owners of that property, with or without additional consideration. However, the term "exchange" does not include:

(A) any sale of property even though other property is purchased with the proceeds of the sale;

(B) any barter or swap of property where there are more than two (2) parties to the transaction; or

(C) any transaction where the property exchanged is acquired by one (1) party to the transaction as a result of negotiation or arrangement with the other party with the intent of effectuating an exchange of the property so acquired.

(2) "Like kind" means property of the same class and kind and has no reference to the grade or quality of such property.

SECTION 124. IC 6-2.1-1-9.5 IS ADDED TO THE INDIANA

CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 9.5. "Public utility" means a taxpayer that:**

(1) produces, transmits, furnishes, wholesales, or retails electrical energy;

(2) produces, transports, furnishes, wholesales, or retails artificial gas, natural gas, or a mixture of natural and artificial gas;

(3) produces, transmits, furnishes, wholesales, or retails water; or

(4) produces, transmits, furnishes, wholesales, or retails light or heat.

(5) owns, operates, manages, or controls a pipeline for the transportation of any commodity for hire;

(6) owns, operates, manages, or controls any plant or equipment for the conveyance of telegraph or telephone messages or telecommunications services; or

(7) owns, operates, manages, or controls any plant or equipment for the collection, treatment, purification, or disposition in a sanitary manner of liquid and solid waste, sewage, night soil, or industrial waste.

SECTION 125. IC 6-2.1-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. "Receipts", as applied to a taxpayer, means the gross income in cash, notes, credits, or other property that is received by the taxpayer or a third party, including any limited liability company that is not itself a taxpayer (as defined in ~~IC 6-2.1-1-16(27)),~~ **IC 6-2.1-1-16(22)),** for the taxpayer's benefit.

SECTION 126. IC 6-2.1-1-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. "Taxpayer" means any:

(1) assignee;
(2) receiver;
(3) commissioner;
(4) fiduciary;
(5) trustee;
(6) institution;
(7) national bank;
(8) bank;
(9) consignee;
(10) firm;
(11) partnership;

(12) joint venture;
(13) pool;
(14) syndicate;
(15) bureau;
(16) association;
(17) cooperative association;
~~(18) society;~~
~~(19) club;~~
~~(20) fraternity;~~
~~(21) sorority;~~
~~(22) lodge;~~
~~(23)~~ **(18)** corporation;
~~(24)~~ **(19)** municipal corporation;
~~(25)~~ **(20)** political subdivision of the state of Indiana or the state of Indiana, to the extent engaged in private or proprietary activities or business;
~~(26)~~ **(21)** trust;
~~(27)~~ **(22)** limited liability company; ~~(other than a limited liability company that has a single member and is disregarded as an entity for federal income tax purposes);~~
(23) limited liability partnership; or
~~(28)~~ **(24)** other group or combination acting as a unit.

SECTION 127. IC 6-2.1-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) An income tax, known as the gross income tax, is imposed upon the receipt of:
(1) the entire taxable gross income of a taxpayer who is a resident or a domiciliary of Indiana; and
(2) the taxable gross income derived from activities or businesses or any other sources within Indiana by a taxpayer who is not a resident or a domiciliary of Indiana.

(b) The receipt of taxable gross income is subject to the applicable rate of tax fixed under section 3 of this chapter. ~~The rate of tax is determined by the type of transaction from which the taxable gross income is received.~~

SECTION 128. IC 6-2.1-2-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. ~~(a) The receipt of gross income from transactions described in section 4 of this chapter is subject to a tax rate of three-tenths of one percent (0.3%).~~

~~(b)~~ The receipt of gross income ~~from transactions described in section 5 of this chapter~~ is subject to a tax rate of one and ~~two-tenths~~ **six tenths** percent ~~(1.2%).~~ **(1.6%).**

SECTION 129. IC 6-2.1-2-12 IS ADDED TO THE INDIANA

CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 12. Every trust, partnership, limited liability company, limited liability partnership, Sub S corporation or other entity exempt from federal income taxation under Section 1361 of the Internal Revenue Code is liable for the tax imposed under section 3 of this chapter. No gross income tax liability is imposed under this article on a partner's, member's, beneficiary's, or shareholder's distributive share of the entity's gross income.**

SECTION 130. IC 6-2.1-4-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 7. A taxpayer is entitled to deduct a refund under IC 6-1.1-21-13 from the taxpayer's gross income.**

SECTION 131. IC 6-2.1-8-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) A county recorder may not record or accept for recording any deed or other instrument of conveyance which transfers any interest in real estate **of a public utility,** unless:

(1) the county treasurer has stamped the deed or other instrument, as required by section 5 of this chapter; or

(2) an affidavit, signed by the seller or grantor, which certifies that no gross income tax is due on the transfer of the interest in the real estate, accompanies the deed or other instrument of conveyance.

(b) When a county recorder accepts an affidavit described in subsection (a), he shall tax and collect the recording fee prescribed in IC 36-2-7-10.

(c) The failure of any deed or other instrument of conveyance to be:

(1) accompanied by an affidavit described in subsection (a); or

(2) stamped in compliance with section 5 of this chapter;

does not affect the validity of the notice given by the recording of such deed or instrument.

SECTION 132. IC 6-2.1-8-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7. (a) **This section applies only to a proceeding involving a public utility.**

(b) No court may allow or approve any final report or account of a receiver, trustee in dissolution, trustee in bankruptcy, commissioner appointed for the sale of real estate, or any other officer acting under the authority and supervision of a court, unless the account or final report shows, and the court finds, that all gross income tax due has been paid, and that all gross income tax which may become due is secured by bond, deposit, or otherwise.

~~(b)~~ **(c)** A fiduciary described in subsection **(b) in a proceeding described in subsection** (a) shall provide proof to a court that all gross income tax has been paid, and that any required security has been provided. The fiduciary shall request the department to issue a certificate of clearance certifying that all gross income tax which is due and payable has been paid and that any required security has been provided. The certificate shall be issued by the department within thirty (30) days after request. When issued, the certificate is conclusive proof that no gross income tax is due and that any required security has been provided.

~~(c)~~ **(d)** If the department fails to issue a certificate of clearance under subsection ~~(b)~~ **(c)** within thirty (30) days after request, a fiduciary may provide evidence to a court which demonstrates that no gross income tax is due and that any required security has been provided. Upon approval by the court, such evidence is conclusive proof of payment of the tax imposed by this article.

~~(d)~~ **(e)** Any gross income tax liability owed by a fiduciary is a preferred claim and has priority over all other claims except claims for judicial costs and costs of administration.

SECTION 133. IC 6-2.2 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

ARTICLE 2.2. BUSINESS SUPPLEMENTAL TAX

Chapter 1. Application

Sec. 1. Except as provided in IC 6-2.2-3 (exempt entities), this article applies to all business entities doing business in Indiana in a taxable year.

Sec. 2. The entities to which this article applies include the following:

(1) Corporations.
(2) S corporations (as defined in Section 1361 of the Internal Revenue Code).
(3) Partnerships.
(4) Limited partnerships.
(5) Limited liability partnerships.
(6) Limited liability companies.
(7) Business trusts (as defined in IC 23-5-1-2).

Sec. 3. For purposes of this article, each business entity is treated as a separate entity regardless of the extent to which the business entity is owned or controlled by another business entity or whether the business entity is taxed for federal income tax purposes.

Sec. 4. A business entity shall not be treated as doing business in Indiana solely because it has an ownership interest in an entity described in section 2 of this chapter that is doing business in Indiana.

Chapter 2. Definitions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Adjusted gross income" means the following, as adjusted by this article:

(1) In the case of a business entity that is taxed under the Internal Revenue Code for federal income tax purposes as a corporation (as defined in IC 6-3-1-10), taxable income (as defined in Section 63 of the Internal Revenue Code).

(2) In the case of a business entity that is taxed under the Internal Revenue Code for federal income tax purposes as a trust, taxable income (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

(3) In the case of a business entity that is treated under the Internal Revenue Code for federal income tax purposes as a partnership, taxable income (as defined in Section 703 of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

(4) In the case of a business entity that is treated under the Internal Revenue Code for federal income tax purposes as a small business corporation, taxable income (as defined in Section 1363 of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

However, if the Internal Revenue Code establishes a specific definition of taxable income for one (1) or more types of business entities, the term refers to taxable income as determined for that type of business entity under the Internal Revenue Code for federal income tax purposes.

Sec. 3. "Business entity" means any legal entity, regardless of form or place of formation, that engages in doing business in Indiana in a taxable year.

Sec. 4. "Department" refers to the department of state revenue.

Sec. 5. "Doing business" means owning, renting, or operating business or income producing property or engaging in other

business or income producing activity.

Sec. 6. "Exempt entity" refers to an entity described in IC 6-2.2-3.

Sec. 7. "Taxable adjusted gross income" refers to taxable adjusted gross income determined under IC 6-2.2-5.

Sec. 8. "Taxable year" means the taxable year of a taxpayer determined under IC 6-2.2-4.

Sec. 9. "Taxpayer" means a business entity that is not an exempt entity.

Chapter 3. Exempt Entities

Sec. 1. Notwithstanding any other law, the only exemptions from this article are the exemptions provided by this chapter.

Sec. 2. An individual is exempt from this article.

Sec. 3. The estate of a deceased individual is exempt from this article.

Sec. 4. The following governmental or quasi-governmental entities are exempt from this article:

(1) The United States government.

(2) The state of Indiana, another state, or an Indian tribe (as defined in IC 34-6-2-66.7).

(3) A political subdivision.

(4) A body corporate and politic that is an instrumentality of a governmental entity described in subdivisions (1) through (3), including a state educational institution (as defined in IC 20-12-0.5-1).

(5) A business entity that is wholly owned by a governmental entity described in subdivisions (1) through (3), including a municipally owned utility (as defined in IC 8-1-2-1).

Sec. 5. An organization that is exempt for federal income tax purposes under Section 501(a) of the Internal Revenue Code is exempt from this article, regardless of whether the organization has unrelated business income that is taxable for federal income tax purposes.

Sec. 6. A company (as defined in IC 27-1-2-3) is exempt from this article.

Sec. 7. The following are exempt from this article:

(1) A holding company (as defined in IC 6-5.5-1-17).

(2) A regulated financial corporation (as defined in IC 6-5.5-1-17).

Sec. 8. A trust (as described in IC 30-4-1-1) other than a business trust (as defined in IC 23-5-1-2) is exempt from this article.

Sec. 9. A public utility (as defined in IC 6-2.1-1-9.5) subject to taxation under IC 6-2.1.

Sec. 10. The following political organizations are exempt from this article:

(1) A bona fide political party (as defined in IC 3-5-2-5.5).
(2) A candidate's committee (as defined in IC 3-5-2-7).
(3) A central committee (as defined in IC 3-5-2-8).
(4) A regular party committee (as defined in IC 3-5-2-42).
(5) A political action committee (as defined in IC 3-5-2-37).
(6) A legislative caucus committee (as defined in IC 3-5-2-27.3).

Chapter 4. Accounting Practices

Sec. 1. A taxpayer's taxable year under this article is the year that a taxpayer uses under the Internal Revenue Code for federal income taxation purposes. If a taxpayer is not required to file an information or other tax return under the Internal Revenue Code, the taxpayer's taxable year under this article is a calendar year.

Sec. 2. A taxpayer shall compute the taxpayer's taxable adjusted gross income and any credits allowed by this article using:

(1) the same method of accounting that the taxpayer uses for filing a return under the Internal Revenue Code for federal income tax purposes; or
(2) if the taxpayer does not file a return under the Internal Revenue Code for federal income tax purposes, a method of accounting consistent with the requirements of Section 446 of the Internal Revenue Code.

Chapter 5. Taxable Adjusted Gross Income

Sec. 1. Except as provided in this chapter, taxable adjusted gross income is equal to the adjusted gross income of a taxpayer in a taxable year that qualifies as adjusted gross income derived from sources in Indiana (as defined in IC 6-3-2-2).

Sec. 2. Taxable adjusted gross income shall be computed under this article without any reduction for a net operating loss deduction (as defined in Section 172 of the Internal Revenue Code).

Sec. 3. Taxable adjusted gross income shall be computed under this article without regard to whether the taxpayer:

(1) has tax due under IC 6-3 for that taxable year; or
(2) is a pass through entity that is not obligated to pay adjusted gross income tax under IC 6-3.

Sec. 4. Taxable adjusted gross income shall be computed under this article without regard to whether a business entity files a consolidated return under IC 6-3-4-14 or another law. A taxpayer

that is a member of an affiliated group (as defined in IC 6-3-4-14) shall compute taxable adjusted gross income under this article separately as if the taxpayer were not part of an affiliated group.

Chapter 6. Deductions

Sec. 1. Notwithstanding any other law, only the deductions allowed by this chapter may be deducted from adjusted gross income to determine taxable adjusted gross income under this chapter.

Sec. 2. A taxpayer is not eligible for any deductions against adjusted gross income to determine taxable adjusted gross income under this article.

Chapter 7. Business Supplemental Tax

Sec. 1. An excise tax is imposed on a taxpayer in each taxable year in which the taxpayer is doing business in Indiana.

Sec. 2. The tax imposed under section 1 of this chapter is for the privilege of doing business in Indiana in a taxable year regardless of the number of days in a taxable year that the taxpayer is actually doing business in Indiana.

Sec. 3. The tax imposed under section 1 of this chapter on a taxpayer is equal to the greater of the following, regardless of whether the business entity had any taxable adjusted gross income in the taxable year:

(1) One hundred dollars ($100).

(2) The product of the taxable adjusted gross income of the taxpayer in the taxable year multiplied by one and nine-tenths percent (1.9%).

Chapter 8. Credits

Sec. 1. Notwithstanding any other law, the only credits allowable against the tax due under this article are the credits allowed under this chapter.

Sec. 2. A taxpayer is not eligible for any credits against the tax imposed under this article.

Chapter 9. Payment of Taxes; Returns

Sec. 1. A taxpayer shall file the return prescribed by the department for each taxable year that the taxpayer is doing business in Indiana regardless of whether the taxpayer has any tax due.

Sec. 2. The return must contain the information required by the department, including any detailed information that may be necessary to determine the taxpayer's tax liability under this article.

Sec. 3. Subject to IC 6-8.1-6-1, a final return for a taxable year

must be filed before the sixteenth day of the fourth month following the close of the taxpayer's taxable year.

Sec. 4. (a) This section applies only to a business entity that has a tax liability under this article that exceeds one thousand fifty dollars ($1,050) for its taxable year.

(b) Every business entity subject to the tax liability under this article shall report and pay on a quarterly basis an estimated tax equal to twenty-five percent (25%) of the business entity's estimated tax liability under this article for the taxable year.

(c) A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year.

(d) If the department determines that a business entity's:

(1) estimated quarterly tax liability under this article for the current year; or

(2) average estimated quarterly tax liability under this article for the preceding year;

exceeds ten thousand dollars ($10,000), the business entity shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(e) If a business entity's tax payment under this article is made by electronic funds transfer, the business entity is not required to file an estimated tax return under section.

(f) The department shall prescribe the manner and forms for the reporting and payment.

Sec. 5. When a return of tax is required under this chapter, the taxpayer required to make the return shall, without assessment or notice and demand from the department, pay the tax to the department at the time fixed for filing the return without regard to any extension of time for filing the return. In making a return and paying tax for any taxable year, a taxpayer shall take credit for any tax previously paid by the taxpayer for the taxable year.

Chapter 10. Administration

Sec. 1. Money collected under this article shall be deposited in

the business account of the property tax replacement fund.

Sec. 2. The department may prescribe forms and adopt rules under IC 4-22-2 to carry out this article and collect the tax imposed by this article.

Sec. 3. The department may require a taxpayer to provide information concerning any licenses and registrations that the taxpayer has in Indiana.

Sec. 4. The department may require a taxpayer to notify the department concerning any change in its method of accounting or taxable year.

Sec. 5. The tax imposed under this article is a listed tax.

Chapter 11. Penalties

Sec. 1. The penalties in IC 6-8.1 apply to this article. However, the limitations on penalties provided by IC 6-3-4-4.1(e) for corporations apply to all business entities subject to tax under this article.

Sec. 2. If a taxpayer:

(1) fails to:

(A) file a notice, an information report, or a return; or

(B) pay the amount of the tax due;

as required under this article and IC 6-8.1; and

(2) within ninety (90) days after receiving written notice of a failure described in subdivision (1), fails to comply with this article and pay any penalty imposed under IC 6-8.1 for failure to comply with this article;

the department may suspend the taxpayer's privilege of doing business in Indiana for the remainder of the taxable year in which the failure occurred and for any subsequent taxable year. Notice of the suspension must be given under IC 4-21.5-3-4.

Sec. 3. A taxpayer may obtain administrative review of a suspension under section 2 of this chapter under IC 4-21.5-3-7 and judicial review of a final determination of the department under IC 4-21.5-5. Judicial review shall be initiated by filing a petition in the tax court. The tax court has exclusive jurisdiction over the review.

Sec. 4. Except during any time that an order suspending a taxpayer's privilege of doing business in Indiana is stayed under IC 4-21.5:

(1) a taxpayer whose privilege of doing business in Indiana has been suspended under this chapter is ineligible to enforce any right or power accruing to the taxpayer after the taxpayer receives written notice from the department that the

taxpayer's privilege of doing business in Indiana has been suspended; and

(2) any contract entered into by the taxpayer after the taxpayer has received written notice that the taxpayer's privilege of doing business in Indiana has been suspended is voidable by any other party to the contract.

Sec. 5. If:

(1) the department suspends a taxpayer's privilege of doing business or a stay of an order suspending the taxpayer's privilege of doing business in Indiana is terminated; and

(2) the department knows that the taxpayer is required by any law to obtain a license or register with any state agency or political subdivision to engage in doing business;

the department shall notify the state agency or political subdivision that the taxpayer's privilege of doing business in Indiana has been suspended. Upon receipt of the notification, the state agency or political subdivision shall suspend the license or the rights accruing from registration issued by the state agency or political subdivision.

Sec. 6. An order suspending the privilege of doing business in Indiana may be rescinded if the taxpayer:

(1) complies with this article; and

(2) pays the penalties imposed under IC 6-8.1 for violation of this article.

Sec. 7. If an order suspending a taxpayer's privilege of doing business in Indiana is rescinded or stayed, the department shall notify each state agency and political subdivision described in section 5 of this chapter of the action. Upon receipt of the notice, each state agency and political subdivision shall reinstate any license or rights accruing from registration if the taxpayer otherwise qualifies for the license or registration and the taxpayer pays any fees imposed to reinstate the license or registration.

SECTION 134. IC 6-2.5-1-10 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 10. "Commercial printing" means a process or activity, or both, that is related to the production of printed materials for others, including the following:**

(1) Receiving, processing, moving, storing, and transmitting, either physically or electronically, copy elements and images to be reproduced.

(2) Plate making or cylinder making.

(3) Applying ink by one (1) or more processes, such as

printing by letter press, lithography, gravure, screen, or digital means.

(4) Casemaking and binding.

(5) Assembling, packaging, and distributing printed materials.

The term does not include the business of photocopying.

SECTION 135. IC 6-2.5-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 2. (a) The state gross retail tax is measured by the gross retail income received by a retail merchant in a retail unitary transaction and is imposed at the following rates:

STATE GROSS RETAIL TAX	GROSS RETAIL INCOME FROM THE RETAIL UNITARY TRANSACTION		
~~$ 0~~		~~less than~~	~~$ .10~~
~~$ .01~~	~~at least $ .10,~~	~~but less than~~	~~$ .30~~
~~$ .02~~	~~at least $ .30,~~	~~but less than~~	~~$ .50~~
~~$ .03~~	~~at least $ .50,~~	~~but less than~~	~~$ .70~~
~~$ .04~~	~~at least $ .70,~~	~~but less than~~	~~$ .90~~
~~$ .05~~	~~at least $ .90,~~	~~but less than~~	~~$1.10~~
$ 0		**less than**	**$0.09**
$ 0.01	**at least $ 0.09**	**but less than**	**$0.25**
$ 0.02	**at least $ 0.25**	**but less than**	**$0.42**
$ 0.03	**at least $ 0.42**	**but less than**	**$0.59**
$ 0.04	**at least $ 0.59**	**but less than**	**$0.75**
$ 0.05	**at least $ 0.75**	**but less than**	**$0.92**
$ 0.06	**at least $ 0.92**	**but less than**	**$1.09**

On a retail unitary transaction in which the gross retail income received by the retail merchant is one dollar and ~~ten~~ **nine** cents ~~($1.10)~~ **($1.09)** or more, the state gross retail tax is ~~five~~ **six** percent ~~(5%)~~ **(6%)** of that gross retail income.

(b) If the tax, computed under subsection (a), results in a fraction of one-half cent ~~($.005)~~ **($0.005)** or more, the amount of the tax shall be rounded to the next additional cent.

SECTION 136. IC 6-2.5-5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) For purposes of this section:

(1) the retreading of tires shall be treated as the processing of tangible personal property; and

(2) commercial printing ~~as described in IC 6-2.1-2-4~~ shall be treated as the production and manufacture of tangible personal property.

(b) Transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property.

SECTION 137. IC 6-2.5-5-5.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5.1. (a) As used in this section, "tangible personal property" includes electrical energy, natural or artificial gas, water, steam, and steam heat.

(b) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for direct consumption as a material to be consumed in the direct production of other tangible personal property in the person's business of manufacturing, processing, refining, repairing, mining, agriculture, horticulture, floriculture, or arboriculture. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing. ~~as described in IC 6-2.1-2-4.~~

SECTION 138. IC 6-2.5-5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for incorporation as a material part of other tangible personal property which the purchaser manufactures, assembles, refines, or processes for sale in his business. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing. ~~as described in IC 6-2.1-2-4.~~

SECTION 139. IC 6-2.5-5-21 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 21. (a) **For purposes of this section, "private benefit or gain" does not include reasonable compensation paid to an employee for work or services actually performed.**

(b) Sales of food are exempt from the state gross retail tax, if:

(1) the seller ~~is an organization described in IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **meets the filing requirements under subsection (d) and is any of the following:**

(A) A fraternity, a sorority, or a student cooperative housing organization that is connected with and under the supervision of a college, a university, or any other educational institution if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(B) Any:

(i) institution;
(ii) trust;
(iii) group;
(iv) united fund;
(v) affiliated agency of a united fund;
(vi) nonprofit corporation;
(vii) cemetery association; or
(viii) organization;

that is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(C) A group, an organization, or a nonprofit corporation that is organized and operated for fraternal or social purposes, or as a business league or association, and not for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(D) A:
(i) hospital licensed by the state department of health;
(ii) shared hospital services organization exempt from federal income taxation by Section 501(c)(3) or 501(e) of the Internal Revenue Code;
(iii) labor union;
(iv) church;
(v) monastery;
(vi) convent;
(vii) school that is a part of the Indiana public school system;
(viii) parochial school regularly maintained by a recognized religious denomination; or
(ix) trust created for the purpose of paying pensions to members of a particular profession or business who created the trust for the purpose of paying pensions to each other;

if the taxpayer is not organized or operated for private profit or gain;

(2) the purchaser is a person confined to his home because of age, sickness, or infirmity;

(3) the seller delivers the food to the purchaser; and

(4) the delivery is prescribed as medically necessary by a physician licensed to practice medicine in Indiana.

~~(b)~~ **(c)** Sales of food are exempt from the state gross retail tax, if the seller is an organization described in ~~IC 6-2.1-3-19,~~ ~~IC 6-2.1-3-20,~~ ~~IC 6-2.1-3-21, or IC 6-2.1-3-22~~ **subsection (b)(1),** and the purchaser is a patient in a hospital operated by the seller.

(d) To obtain the exemption provided by this section, a taxpayer must file an application for exemption with the department:

(1) before January 1, 2003, under IC 6-2.1-3-19 (repealed); or

(2) not later than one hundred twenty (120) days after the taxpayer's formation.

In addition, the taxpayer must file an annual report with the department on or before the fifteenth day of the fifth month following the close of each taxable year. If a taxpayer fails to file the report, the department shall notify the taxpayer of the failure. If within sixty (60) days after receiving such notice the taxpayer does not provide the report, the taxpayer's exemption shall be canceled. However, the department may reinstate the taxpayer's exemption if the taxpayer shows by petition that the failure was due to excusable neglect.

SECTION 140. IC 6-2.5-5-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 22. (a) Sales of school meals are exempt from the state gross retail tax, if:

(1) the seller is a school containing students in any grade, one (1) through twelve (12);

(2) the purchaser is one (1) of those students or a school employee; and

(3) the school furnishes the food on its premises.

(b) Sales of food by not-for-profit colleges or universities are exempt from the state gross retail tax, if the purchaser is a student at the college or university.

(c) Sales of meals after December 31, 1976, by a fraternity, sorority, or student cooperative housing organization described in ~~IC 6-2.1-3-19~~ **section 21(b)(1)(A) of this chapter** are exempt from the state gross retail tax, if the purchaser:

(1) is a member of the fraternity, sorority, or student cooperative housing organization; and

(2) is enrolled in the college, university, or educational institution with which the fraternity, sorority, or student cooperative housing organization is connected and by which it is supervised.

SECTION 141. IC 6-2.5-5-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. (a) Transactions are exempt from the state gross retail tax to the extent that the gross retail income from those transactions is derived from gross receipts that are: ~~exempt from the gross income tax under IC 6-2.1-3-2,~~

~~IC 6-2.1-3-3.5, IC 6-2.1-3-5, IC 6-2.1-3-6, IC 6-2.1-3-7, or IC 6-2.1-3-13.~~

(1) derived from sales to the United States government, to the extent the state is prohibited by the Constitution of the United States from taxing that income;

(2) derived from commercial printing that results in printed materials, excluding the business of photocopying, and that are shipped, mailed, or delivered outside Indiana;

(3) United States or Indiana taxes received or collected as a collecting agent explicitly designated as a collecting agent for a tax by statute for the state or the United States;

(4) collections by a retail merchant of a retailer's excise tax imposed by the United States if:

(A) the tax is imposed solely on the sale at retail of tangible personal property;

(B) the tax is remitted to the appropriate taxing authority; and

(C) the retail merchant collects the tax separately as an addition to the price of the property sold;

(5) collections of a manufacturer's excise tax imposed by the United States on motor vehicles, motor vehicle bodies and chassis, parts and accessories for motor vehicles, tires, tubes for tires, or tread rubber and laminated tires, if the excise tax is separately stated by the collecting taxpayer as either an addition to or an inclusion in the price of the property sold; or

(6) amounts represented by an encumbrance of any kind on tangible personal property received by a retail merchant in reciprocal exchange for tangible personal property of like kind.

(b) Transactions are exempt from the state gross retail tax to the extent that the gross retail income from those transactions is derived from gross receipts that are: ~~exempt from the gross income tax under IC 6-2.1-3-1 or IC 6-2.1-3-3.~~

(1) interest or other earnings paid on bonds or other securities issued by the United States, to the extent the Constitution of the United States prohibits the taxation of that income; or

(2) derived from business conducted in commerce between the state and either another state or a foreign country, to the extent the state is prohibited from taxing that gross income by the Constitution of the United States.

SECTION 142. IC 6-2.5-5-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is an organization ~~which~~ **that** is ~~granted a gross income tax exemption under IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) primarily uses the property or service to carry on or to raise money to carry on ~~the~~ **its** not-for-profit purpose; ~~for which it receives the gross income tax exemption;~~ and

(3) is not an organization operated predominantly for social purposes.

(b) Transactions occurring after December 31, 1976, and involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is a fraternity, sorority, or student cooperative housing organization ~~which~~ **that** is ~~granted a gross income tax exemption under IC 6-2.1-3-19;~~ **described in section 21(b)(1)(A) of this chapter;** and

(2) uses the property or service to carry on its ordinary and usual activities and operations as a fraternity, sorority, or student cooperative housing organization.

SECTION 143. IC 6-2.5-5-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 26. (a) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization ~~which~~ **that** is ~~granted a gross income tax exemption under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) the organization makes the sale to make money to carry on ~~the~~ **a** not-for-profit purpose; ~~for which it receives its gross income tax exemption;~~ and

(3) the organization does not make those sales during more than thirty (30) days in a calendar year.

(b) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization ~~which is granted a gross income tax exemption under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) the seller is not operated predominantly for social purposes;

(3) the property sold is designed and intended primarily either for the organization's educational, cultural, or religious purposes, or for improvement of the work skills or professional qualifications of the organization's members; and

(4) the property sold is not designed or intended primarily for use in carrying on a private or proprietary business.

(c) The exemption provided by this section does not apply to an accredited college or university's sales of books, stationery, haberdashery, supplies, or other property.

SECTION 144. IC 6-2.5-6-1, AS AMENDED BY P.L.177-2002, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) Each person liable for collecting the state gross retail or use tax shall file a return for each calendar month and pay the state gross retail and use taxes that the person collects during that month. A person shall file the person's return for a particular month with the department and make the person's tax payment for that month to the department not more than thirty (30) days after the end of that month, if that person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year did not exceed one thousand dollars ($1,000). If a person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year exceeded one thousand dollars ($1,000), that person shall file the person's return for a particular month and make the person's tax payment for that month to the department not more than twenty (20) days after the end of that month.

(b) If a person files a combined sales and withholding tax report and either this section or IC 6-3-4-8.1 requires sales or withholding tax reports to be filed and remittances to be made within twenty (20) days after the end of each month, then the person shall file the combined report and remit the sales and withholding taxes due within twenty (20) days after the end of each month.

(c) Instead of the twelve (12) monthly reporting periods required by subsection (a), the department may permit a person to divide a year into a different number of reporting periods. The return and payment for each reporting period is due not more than twenty (20) days after the end of the period.

(d) Instead of the reporting periods required under subsection (a), the department may permit a retail merchant to report and pay the merchant's state gross retail and use taxes for a period covering:

(1) a calendar year, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed ten dollars ($10);

(2) a calendar half year, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year

does not exceed twenty-five dollars ($25); or

(3) a calendar quarter, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed seventy-five dollars ($75).

A retail merchant using a reporting period allowed under this subsection must file the merchant's return and pay the merchant's tax for a reporting period not later than the last day of the month immediately following the close of that reporting period.

(e) If a retail merchant reports the merchant's **adjusted** gross income tax, or the tax the merchant pays in place of the **adjusted** gross income tax, over a fiscal year or fiscal quarter not corresponding to the calendar year or calendar quarter, the merchant may, without prior departmental approval, report and pay the merchant's state gross retail and use taxes over the merchant's fiscal period that corresponds to the calendar period the merchant is permitted to use under subsection (d). However, the department may, at any time, require the retail merchant to stop using the fiscal reporting period.

(f) If a retail merchant files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under:

(1) this section;

(2) IC 6-3-4-8; or

(3) IC 6-3-4-8.1.

(g) If the department determines that a person's:

(1) estimated monthly gross retail and use tax liability for the current year; or

(2) average monthly gross retail and use tax liability for the preceding year;

exceeds ten thousand dollars ($10,000), the person shall pay the monthly gross retail and use taxes due by electronic ~~fund~~ **funds** transfer (as defined in IC 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a person's gross retail and use tax payment is made by electronic ~~fund~~ **funds** transfer, the taxpayer is not required to file a monthly gross retail and use tax return. However, the person shall file a quarterly gross retail and use tax return before the twentieth day after the end of each calendar quarter.

SECTION 145. IC 6-2.5-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. A retail merchant may, without prior departmental approval, report and pay his state gross retail and use taxes on an accrual basis, if he uses the accrual basis to pay and report the **adjusted** gross income tax or the tax imposed on him in place of the **adjusted** gross income tax. The department may, at any time, require the retail merchant to stop using the accrual basis.

SECTION 146. IC 6-2.5-6-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 7. Except as otherwise provided in IC 6-2.5-7 or in this chapter, a retail merchant shall pay to the department, for a particular reporting period, an amount equal to the product of:

(1) ~~five~~ **six** percent ~~(5%);~~ **(6%);** multiplied by

(2) the retail merchant's total gross retail income from taxable transactions made during the reporting period.

The amount determined under this section is the retail merchant's state gross retail and use tax liability regardless of the amount of tax he actually collects.

SECTION 147. IC 6-2.5-6-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 8. (a) For purposes of determining the amount of state gross retail and use taxes which he must remit under section 7 of this chapter, a retail merchant may exclude from his gross retail income from retail transactions made during a particular reporting period, an amount equal to the product of:

(1) the amount of that gross retail income; multiplied by

(2) the retail merchant's "income exclusion ratio" for the tax year which contains the reporting period.

(b) A retail merchant's "income exclusion ratio" for a particular tax year equals a fraction, the numerator of which is the retail merchant's estimated total gross retail income for the tax year from unitary retail transactions which produce gross retail income of less than ~~ten~~ **nine** cents ~~($.10)~~ **($0.09)** each, and the denominator of which is the retail merchant's estimated total gross retail income for the tax year from all retail transactions.

(c) In order to minimize a retail merchant's recordkeeping requirements, the department shall prescribe a procedure for determining the retail merchant's income exclusion ratio for a tax year, based on a period of time, not to exceed fifteen (15) consecutive days, during the first quarter of the retail merchant's tax year. However, the period of time may be changed if the change is requested by the retail merchant because of his peculiar accounting procedures or marketing factors. In addition, if a retail merchant has multiple sales locations or diverse types of sales, the department shall permit the retail merchant to determine the ratio on the basis of a representative sampling of the locations and types of sales.

SECTION 148. IC 6-2.5-6-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 10. (a) In order to compensate retail merchants for collecting and timely remitting the state gross retail tax and the state use tax, every retail merchant, except a retail merchant referred to in subsection (c), is entitled to deduct and retain from the amount of those taxes otherwise required to be remitted under IC 6-2.5-7-5 or under this chapter, if timely remitted, a retail merchant's collection allowance.

(b) The allowance equals ~~one~~ **eighty-three hundredths** percent ~~(1%)~~ **(0.83%)** of the retail merchant's state gross retail and use tax liability accrued during a reporting period.

(c) A retail merchant described in IC 6-2.5-4-5 or IC 6-2.5-4-6 is not entitled to the allowance provided by this section.

SECTION 149. IC 6-2.5-7-3, AS AMENDED BY P.L.222-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 3. (a) With respect to the sale of gasoline which is dispensed from a metered pump, a retail merchant shall collect, for each unit of gasoline sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent ~~($.001),~~ **($0.001),** of:

~~(i)~~ **(1)** the price per unit before the addition of state and federal taxes; multiplied by

~~(ii)~~ ~~five~~ **(2) six** percent ~~(5%).~~ **(6%).**

The retail merchant shall collect the state gross retail tax prescribed in this section even if the transaction is exempt from taxation under IC 6-2.5-5.

(b) With respect to the sale of special fuel or kerosene which is dispensed from a metered pump, unless the purchaser provides an exemption certificate in accordance with IC 6-2.5-8-8, a retail merchant shall collect, for each unit of special fuel or kerosene sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent ~~($.001),~~ **($0.001),** of:

~~(i)~~ **(1)** the price per unit before the addition of state and federal taxes; multiplied by

~~(ii)~~ ~~five~~ **(2) six** percent ~~(5%).~~ **(6%).**

Unless the exemption certificate is provided, the retail merchant shall collect the state gross retail tax prescribed in this section even if the transaction is exempt from taxation under IC 6-2.5-5.

SECTION 150. IC 6-2.5-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 5. (a) Each retail merchant who dispenses gasoline or special fuel from a metered pump shall, in the manner prescribed in IC 6-2.5-6, report to the department the following information:

(1) The total number of gallons of gasoline sold from a metered pump during the period covered by the report.

(2) The total amount of money received from the sale of gasoline described in subdivision (1) during the period covered by the report.

(3) That portion of the amount described in subdivision (2) which represents state and federal taxes imposed under ~~IC 6-2.5,~~ **this article,** IC 6-6-1.1, or Section 4081 of the Internal Revenue Code.

(4) The total number of gallons of special fuel sold from a metered pump during the period covered by the report.

(5) The total amount of money received from the sale of special fuel during the period covered by the report.

(6) That portion of the amount described in subdivision (5) that represents state and federal taxes imposed under ~~IC 6-2.5,~~ **this article,** IC 6-6-2.5, or Section 4041 of the Internal Revenue Code.

(b) Concurrently with filing the report, the retail merchant shall remit the state gross retail tax in an amount which equals ~~one twenty-first (1/21)~~ **five and sixty-six hundredths percent (5.66%)** of the gross receipts, including state gross retail taxes but excluding Indiana and federal gasoline and special fuel taxes, received by the retail merchant from the sale of the gasoline and special fuel that is covered by the report and on which the retail merchant was required to collect state gross retail tax. The retail merchant shall remit that amount regardless of the amount of state gross retail tax which he has actually collected under this chapter. However, the retail merchant is entitled to deduct and retain the amounts prescribed in subsection (c), IC 6-2.5-6-10, and IC 6-2.5-6-11.

(c) A retail merchant is entitled to deduct from the amount of state gross retail tax required to be remitted under subsection (b) an amount equal to:

(1) the sum of the prepayment amounts made during the period covered by the retail merchant's report; minus

(2) the sum of prepayment amounts collected by the retail merchant, in the merchant's capacity as a qualified distributor, during the period covered by the retail merchant's report.

For purposes of this section, a prepayment of the gross retail tax is presumed to occur on the date on which it is invoiced.

SECTION 151. IC 6-2.5-10-1, AS AMENDED BY P.L.253-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 1. (a) The department shall account for all state gross retail and use taxes that it collects.

(b) The department shall deposit those collections in the following manner:

(1) ~~Forty~~ **Fifty** percent ~~(40%)~~ **(50%)** of the collections shall be paid into the property tax replacement fund established under IC 6-1.1-21.

(2) ~~Fifty-nine~~ **Forty-nine** and ~~three-hundredths~~ **one hundred ninety-two thousandths** percent ~~(59.03%)~~ **(49.192%)** of the collections shall be paid into the state general fund.

(3) ~~Seventy-six hundredths~~ **Six hundred thirty-three thousandths** of one percent ~~(0.76%)~~ **(0.633%)** of the collections shall be paid into the public mass transportation fund established by IC 8-23-3-8.

(4) ~~Four hundredths~~ **Thirty-three thousandths** of one percent ~~(0.04%)~~ **(0.033%)** of the collections shall be deposited into the industrial rail service fund established under IC 8-3-1.7-2.

(5) ~~Seventeen hundredths~~ **One hundred forty-two thousandths** of one percent ~~(0.17%)~~ **(0.142%)** of the collections shall be deposited into the commuter rail service fund established under IC 8-3-1.5-20.5.

SECTION 152. IC 6-2.5-10-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. The provisions of the **adjusted** gross income tax law ~~(IC 6-2.1),~~ **(IC 6-3),** which do not conflict with the provisions of this article and which deal with any of the following subjects, apply for the purposes of imposing, collecting, and administering the state gross retail and use taxes under this article:

(1) Filing of returns.
(2) Auditing of returns.
(3) Investigation of tax liability.
(4) Determination of tax liability.
(5) Notification of tax liability.
(6) Assessment of tax liability.
(7) Collection of tax liability.
(8) Examination of taxpayer's books and records.
(9) Legal proceedings.
(10) Court actions.
(11) Remedies.
(12) Privileges.
(13) Taxpayer and departmental relief.
(14) Statutes of limitations.
(15) Hearings.
(16) Refunds.

(17) Remittances.
(18) Imposition of penalties and interest.
(19) Maintenance of departmental records.
(20) Confidentiality of taxpayer's returns.
(21) Duties of the secretary of state and the treasurer of state.
(22) Administration.

SECTION 153. IC 6-3-1-3.5, AS AMENDED BY P.L.8-2002, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States. **In addition, for taxable years beginning after December 31, 2001, and before January 1, 2005, add an amount equal to any deduction or deductions allowed or allowable under Section 62 of the Internal Revenue Code for taxes on property levied by any subdivision of any state of the United States.**

(3) Subtract one thousand dollars ($1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars ($1,000).

(4) Subtract one thousand dollars ($1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars ($1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code for taxable years beginning after December 31, 1996; and

(B) five hundred dollars ($500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars ($40,000).

This amount is in addition to the amount subtracted under subdivision (4).

(6) Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars ($2,000).

(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

(8) Subtract any amounts included in federal adjusted gross income under **Section 111 of the** Internal Revenue Code ~~Section 111~~ as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(9) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) **For taxable years beginning before January 1, 2002, or after December 31, 2002,** subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars ($2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(18) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States. **In addition, for taxable years beginning after December 31, 2001, and before January 1, 2005, add an amount equal to a deduction or deductions allowed or allowable under Section 63 of the Internal Revenue Code for taxes on property levied by a state or subdivision of a state of the United States.**

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal

Revenue Code.

(c) **In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:**

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state. For taxable years beginning after December 31, 2001, and before January 1, 2005, add an amount equal to a deduction or deductions allowed or allowable under Section 63, Section 805, or Section 831(c) of the Internal Revenue Code for taxes on property levied by a state or subdivision of a state of the United States.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state. For taxable years beginning after December 31, 2001, and before January 1, 2005, add an amount equal to a deduction or deductions allowed or allowable under Section 63, Section 805, or Section 831(c) of the Internal Revenue Code for taxes on property levied by a state or subdivision of a state of the United States.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by:

(1) income that is exempt from taxation under this article by the Constitution and statutes of the United States; and

(2) an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

SECTION 154. IC 6-3-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. ~~The term~~ **As used in this article,** "corporation" includes all corporations, associations, real estate investment trusts (as defined in the Internal Revenue Code), joint stock companies, whether organized for profit or not-for-profit, any receiver, trustee or conservator thereof, business trusts, Massachusetts trusts, any proprietorship or partnership taxable under Section 1361 of the Internal Revenue Code, and any publicly traded partnership that is treated as a corporation for federal income tax purposes under Section 7704 of the Internal Revenue Code. **The term includes life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) and insurance companies subject to tax under Section 831 of the Internal Revenue Code.**

SECTION 155. IC 6-3-1-11, AS AMENDED BY P.L.177-2002, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. (a) The term "Internal Revenue Code" means the Internal Revenue Code of 1986 of the United States as amended and in effect on January 1, 2002.

(b) Whenever the Internal Revenue Code is mentioned in this article, the particular provisions that are referred to, together with all the other provisions of the Internal Revenue Code in effect on January 1, 2002, that pertain to the provisions specifically mentioned, shall be regarded as incorporated in this article by reference and have the same force and effect as though fully set forth in this article. To the extent the provisions apply to this article, regulations adopted under Section 7805(a) of the Internal Revenue Code and in effect on January 1, 2002, shall be regarded as rules adopted by the department under this article, unless the department adopts specific rules that supersede the regulation.

(c) An amendment to the Internal Revenue Code made by an act passed by Congress before January 1, 2002, that is effective for any taxable year that began before January 1, 2002, and that affects:

(1) individual adjusted gross income (as defined in Section 62 of the Internal Revenue Code);

(2) corporate taxable income (as defined in Section 63 of the Internal Revenue Code);

(3) trust and estate taxable income (as defined in Section 641(b) of the Internal Revenue Code);

(4) life insurance company taxable income (as defined in Section 801(b) of the Internal Revenue Code);

(5) mutual insurance company taxable income (as defined in Section 821(b) of the Internal Revenue Code); or

(6) taxable income (as defined in Section 832 of the Internal Revenue Code);

is also effective for that same taxable year for purposes of determining adjusted gross income under ~~IC 6-3-1-3.5 and net income under IC 6-3-8-2(b).~~ **section 3.5 of this chapter.**

SECTION 156. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) Each taxable year, a tax at the rate of three and four-tenths percent (3.4%) of adjusted gross income is imposed upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person.

(b) Each taxable year a tax at the rate of ~~three~~ **eight** and ~~four-tenths~~ **five-tenths** percent ~~(3.4%)~~ **(8.5%)** of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

SECTION 157. IC 6-3-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

(1) income from real or tangible personal property located in this state;

(2) income from doing business in this state;

(3) income from a trade or profession conducted in this state;

(4) compensation for labor or services rendered within this state; and

(5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property if the receipt from the intangible is attributable to Indiana under section 2.2 of this chapter.

In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter) only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. **In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code), or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.**

(b) Except as provided in subsection (l), if business income of a corporation or a nonresident person is derived from sources within the state of Indiana and from sources without the state of Indiana, then the business income derived from sources within this state shall be determined by multiplying the business income derived from sources both within and without the state of Indiana by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three (3). However, after a period of two (2) consecutive quarters of income growth and one (1) additional quarter (regardless of any income growth), the fraction shall be computed as follows:

(1) For all taxable years that begin within the first calendar year immediately following the period, the numerator of the fraction is the sum of the property factor plus the payroll factor plus one hundred thirty-three percent (133%) of the sales factor, and the denominator of the fraction is three and thirty-three hundredths (3.33).

(2) For all taxable years that begin within the second calendar year following the period, the numerator of the fraction is the property factor plus the payroll factor plus one hundred sixty-seven percent (167%) of the sales factor, and the denominator of the fraction is three and sixty-seven hundredths (3.67).

(3) For all taxable years beginning on or after January 1 of the third calendar year following the period, the numerator of the fraction is the property factor plus the payroll factor plus two hundred percent (200%) of the sales factor, and the denominator of the fraction is four (4).

For purposes of this subsection, income growth occurs when the state's nonfarm personal income for a calendar quarter increases in comparison with the state's nonfarm personal income for the immediately preceding quarter at an annualized compound rate of five percent (5%) or more, as determined by the budget agency based on current dollar figures provided by the Bureau of Economic Analysis of the United States Department of Commerce or its successor agency. The annualized compound rate shall be computed in accordance with the formula $(1+N)^4-1$, where N equals the percentage change in the state's current dollar nonfarm personal income from one (1) quarter to the next. As soon as possible after two (2) consecutive quarters of income growth, the budget agency shall advise the department of the growth.

(c) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year. However, with respect to a foreign corporation, the denominator does not include the average value of real or tangible personal property owned or rented and used in a place that is outside the United States. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. The average of property shall be determined by averaging the values at the beginning and ending of the taxable year but the department may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the taxpayer's property.

(d) The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the taxable year by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the taxable year. However, with respect to a foreign corporation, the denominator does not include compensation paid in a place that is outside the United States. Compensation is paid in this state if:

(1) the individual's service is performed entirely within the state;

(2) the individual's service is performed both within and without this state, but the service performed without this state is incidental to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. Sales of tangible personal property are in this state if:

(1) the property is delivered or shipped to a purchaser, other than the United States government, within this state, regardless of the f.o.b. point or other conditions of the sale; or

(2) the property is shipped from an office, a store, a warehouse, a factory, or other place of storage in this state and:

(A) the purchaser is the United States government; or

(B) the taxpayer is not taxable in the state of the purchaser.

Gross receipts derived from commercial printing as described in ~~IC 6-2.1-2-4~~ **IC 6-2.5-1-10** shall be treated as sales of tangible personal property for purposes of this chapter.

(f) Sales, other than receipts from intangible property covered by subsection (e) and sales of tangible personal property, are in this state if:

(1) the income-producing activity is performed in this state; or

(2) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

(g) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute nonbusiness income, shall be allocated as provided in subsections (h) through (k).

(h)(1) Net rents and royalties from real property located in this state are allocable to this state.

(2) Net rents and royalties from tangible personal property are allocated to this state:

(i) if and to the extent that the property is utilized in this state; or

(ii) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year, and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

(i)(1) Capital gains and losses from sales of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales of tangible personal property are allocable to this state if:

(i) the property had a situs in this state at the time of the sale; or

(ii) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

(3) Capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

(j) Interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

(k)(1) Patent and copyright royalties are allocable to this state:

(i) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or

(ii) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

(l) If the allocation and apportionment provisions of this article do not fairly represent the taxpayer's income derived from sources within the state of Indiana, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(1) separate accounting;

(2) the exclusion of any one (1) or more of the factors;

(3) the inclusion of one (1) or more additional factors which will fairly represent the taxpayer's income derived from sources within the state of Indiana; or

(4) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(m) In the case of two (2) or more organizations, trades, or businesses owned or controlled directly or indirectly by the same interests, the department shall distribute, apportion, or allocate the income derived from sources within the state of Indiana between and among those organizations, trades, or businesses in order to fairly reflect and report the income derived from sources within the state of Indiana by various taxpayers.

(n) For purposes of allocation and apportionment of income under this article, a taxpayer is taxable in another state if:

(1) in that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or

(2) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

(o) Notwithstanding subsections (l) and (m), the department may not, under any circumstances, require that income, deductions, and credits attributable to a taxpayer and another entity be reported in a combined income tax return for any taxable year, if the other entity is:

(1) a foreign corporation; or

(2) a corporation that is classified as a foreign operating corporation for the taxable year by section 2.4 of this chapter.

(p) Notwithstanding subsections (l) and (m), the department may not require that income, deductions, and credits attributable to a taxpayer and another entity not described in subsection (o)(1) or (o)(2) be reported in a combined income tax return for any taxable year, unless the department is unable to fairly reflect the taxpayer's adjusted gross income for the taxable year through use of other powers granted to the department by subsections (l) and (m).

(q) Notwithstanding subsections (o) and (p), one (1) or more taxpayers may petition the department under subsection (l) for permission to file a combined income tax return for a taxable year. The petition to file a combined income tax return must be completed and filed with the department not more than thirty (30) days after the end of the taxpayer's taxable year.

(r) This subsection applies to a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code. The corporation's adjusted gross income that is derived from sources within Indiana is determined by multiplying the corporation's adjusted gross income by a fraction:

(1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and

(2) the denominator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks everywhere.

The term "direct premiums and annuity considerations" means the gross premiums received from direct business as reported in the corporation's annual statement filed with the department of insurance.

SECTION 158. IC 6-3-2-2.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.3. Notwithstanding any other provision of this article, with respect to a person, corporation, or partnership that has contracted with a commercial printer for printing:

(1) the ownership or leasing by that entity of tangible or intangible property located at the Indiana premises of the commercial printer;

(2) the sale by that entity of property of any kind produced at and shipped or distributed from the Indiana premises of the commercial printer;

(3) the activities of any kind performed by or on behalf of that entity at the Indiana premises of the commercial printer; and

(4) the activities performed by the commercial printer in Indiana for or on behalf of that entity;

shall not cause that entity to have adjusted gross income derived from sources within Indiana for purposes of the taxes imposed by this chapter, ~~and IC 6-3-8,~~ unless that entity engages in other activities in Indiana away from the premises of the commercial printer that exceed the protection of 15 U.S.C. 381.

SECTION 159. IC 6-3-2-2.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.6. (a) This section applies to a corporation or a nonresident person, for a particular taxable year, if the taxpayer's adjusted gross income for that taxable year is reduced because of a deduction allowed under Section 172 of the Internal Revenue Code for a net operating loss. For purposes of section 1 of this chapter, the taxpayer's adjusted gross income, for the particular taxable year, derived from sources within Indiana is the remainder determined under STEP FOUR of the following formula:

STEP ONE: Determine, in the manner prescribed in section 2 of this chapter, the taxpayer's adjusted gross income, for the taxable year, derived from sources within Indiana, as calculated without the deduction for net operating losses provided by Section 172 of the Internal Revenue Code.

STEP TWO: Determine, in the manner prescribed in subsection (b), the amount of the taxpayer's net operating losses that are deductible for the taxable year under Section 172 of the Internal Revenue Code, as adjusted to reflect the modifications required by IC 6-3-1-3.5, and that are derived from sources within Indiana.

STEP THREE: Enter the larger of zero (0) or the amount determined under STEP TWO.

STEP FOUR: Subtract the amount entered under STEP THREE from the amount determined under STEP ONE.

(b) For purposes of STEP TWO of subsection (a), the modifications that are to be applied are those modifications required under IC 6-3-1-3.5 for the same taxable year during which each net operating loss was incurred. In addition, for purposes of STEP TWO of subsection (a), the amount of a taxpayer's net operating losses that are derived from sources within Indiana shall be determined in the same manner that the amount of the taxpayer's income derived from sources within Indiana is determined, under section 2 of this chapter, for the same taxable year during which each loss was incurred. Also, for purposes of STEP TWO of subsection (a), the following procedures apply:

(1) The taxpayer's net operating loss for a particular taxable year shall be treated as a positive number.

(2) A modification that is to be added to federal adjusted gross

income or federal taxable income under IC 6-3-1-3.5 shall be treated as a negative number.

(3) A modification that is to be subtracted from federal adjusted gross income or federal taxable income under IC 6-3-1-3.5 shall be treated as a positive number.

(4) A net operating loss under this section shall be considered even though in the year the taxpayer incurred the loss the taxpayer was not subject to the tax imposed under section 1 of this chapter because the taxpayer was:

(A) a life insurance company (as defined in Section 816(a) of the Internal Revenue Code); or

(B) an insurance company subject to tax under Section 831 of the Internal Revenue Code.

SECTION 160. IC 6-3-2-2.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.8. Notwithstanding any provision of IC 6-3-1 through IC 6-3-7, there shall be no tax on the adjusted gross income of the following:

(1) Any organization described in Section 501(a) of the Internal Revenue Code, except that any income of such organization which is subject to income tax under the Internal Revenue Code shall be subject to the tax under IC 6-3-1 through IC 6-3-7.

(2) Any corporation which is exempt from income tax under Section 1363 of the Internal Revenue Code and which complies with the requirements of IC 6-3-4-13. However, income of a corporation described under this subdivision that is subject to income tax under the Internal Revenue Code is subject to the tax under IC 6-3-1 through IC 6-3-7. A corporation will not lose its exemption under this section because it fails to comply with IC 6-3-4-13 but it will be subject to the penalties provided by IC 6-8.1-10.

(3) Banks and trust companies, national banking associations, savings banks, building and loan associations, and savings and loan associations.

(4) Insurance companies subject to tax under IC 27-1-18-2, **including a domestic insurance company that elects to be taxed under IC 27-1-18-2.**

(5) International banking facilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System (12 CFR 204)).

SECTION 161. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. (a) Except as otherwise provided in subsection (b), income is not exempt from the adjusted gross income tax ~~or the supplemental net income tax,~~ under section 2.8(1) of this chapter if the income is derived by the exempt organization from an unrelated trade or business, as defined in Section 513 of the Internal Revenue Code.

(b) This section does not apply to:

(1) the United States government;

(2) an agency or instrumentality of the United States government;

(3) this state;

(4) a state agency, as defined in IC 34-6-2-141;

(5) a political subdivision, as defined in IC 34-6-2-110; or

(6) a county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal).

SECTION 162. IC 6-3-2-3.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003] : Sec. 3.5. (a) **For purposes of this section, "public transportation services" means the transportation of individuals for hire.**

(b) All fares collected for public transportation services are exempt from the income taxes imposed by this article if the fares are ~~exempt from the gross income tax under IC 6-2.1-3-27.~~ **received by a:**

(1) public transportation corporation established under IC 36-9-4;

(2) public transit department established by ordinance under IC 36; or

(3) lessee common carrier which provides public transportation services under IC 36.

(c) Fares collected for public transportation services by a private corporation are exempt from income taxes imposed by this article if during the tax year at least eighty percent (80%) of the corporation's total regularly scheduled bus passenger vehicle route miles are within the corporation's designated regional service area. A private corporation's designated regional service area may not be greater than:

(1) the county that the private corporation designates as its principal place of business; and

(2) all counties contiguous to the county designated by the private corporation as its principal place of business.

A private corporation may choose a smaller area as its regional service area.

SECTION 163. IC 6-3-2-6, AS AMENDED BY P.L.14-1999, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) Each taxable year, an individual who rents a dwelling for use as ~~his~~ **the individual's** principal place of residence may deduct from ~~his~~ **the individual's** adjusted gross income (as defined in IC 6-3-1-3.5(a)), the lesser of:

(1) the amount of rent paid by ~~him~~ **the individual** with respect to the dwelling during the taxable year; or

(2) ~~two~~ **four** thousand dollars ~~($2,000).~~ **($4,000).**

(b) Notwithstanding subsection (a), a husband and wife filing a joint adjusted gross income tax return for a particular taxable year may not claim a deduction under this section of more than ~~two~~ **four** thousand dollars ~~($2,000).~~ **($4,000).**

(c) The deduction provided by this section does not apply to an individual who rents a dwelling that is exempt from Indiana property tax.

(d) For purposes of this section, a "dwelling" includes a single family dwelling and unit of a multi-family dwelling.

SECTION 164. IC 6-3-2-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. Prize money received from a winning lottery ticket purchased under IC 4-30 is exempt from the adjusted gross income tax ~~and supplemental net income tax~~ imposed by this article.

SECTION 165. IC 6-3-3-11 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 9. Refunds under IC 6-1.1-21-13 are exempt from the adjusted gross income tax imposed under this article.**

SECTION 166. IC 6-3-4-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4.1. (a) This section applies to taxable years beginning after December 31, 1993.

(b) Any individual required by the Internal Revenue Code to file estimated tax returns and to make payments on account of such estimated tax shall file estimated tax returns and make payments of the tax imposed by this article to the department at the time or times and in the installments as provided by Section 6654 of the Internal Revenue Code. However, in applying Section 6654 of the Internal Revenue Code for the purposes of this article, "estimated tax" means the amount which the individual estimates as the amount of the adjusted gross income tax imposed by this article for the taxable year, minus the amount which the individual estimates as the sum of any credits against the tax provided by IC 6-3-3.

(c) Every individual who has **adjusted** gross income subject to the tax imposed by this article and from which tax is not withheld under the requirements of section 8 of this chapter shall make a declaration of estimated tax for the taxable year. However, no such declaration shall be required if the estimated tax can reasonably be expected to be less than four hundred dollars ($400). In the case of an underpayment of the estimated tax as provided in Section 6654 of the Internal Revenue Code, there shall be added to the tax a penalty in an amount prescribed by IC 6-8.1-10-2.1(b).

(d) Every corporation subject to the adjusted gross income tax liability imposed by IC 6-3 shall be required to report and pay an estimated tax equal to twenty-five percent (25%) of such corporation's estimated adjusted gross income tax liability for the taxable year less the credit allowed by IC 6-3-3-2 for the tax imposed on gross income. ~~Such estimated payment shall be made at the same time and in conjunction with the reporting of gross income tax as provided for in IC 6-2.1-5.~~ **A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated adjusted gross income tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated adjusted gross income tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year.** The department shall prescribe the manner and forms for such reporting and payment.

(e) The penalty prescribed by IC 6-8.1-10-2.1(b) shall be assessed by the department on corporations failing to make payments as required in subsection (d) or (g). However, no penalty shall be assessed as to any estimated payments of adjusted gross income tax plus **business** supplemental ~~net income~~ tax plus gross income tax which equal or exceed:

(1) twenty percent (20%) of the final tax liability for such taxable year; or

(2) twenty-five percent (25%) of the final tax liability for the taxpayer's previous taxable year.

In addition, the penalty as to any underpayment of tax on an estimated return shall only be assessed on the difference between the actual amount paid by the corporation on such estimated return and twenty-five percent (25%) of the sum of the corporation's final adjusted gross income tax plus **business** supplemental ~~net income~~ tax liability for such taxable year.

(f) The provisions of subsection (d) requiring the reporting and estimated payment of adjusted gross income tax shall be applicable only to corporations having an adjusted gross income tax liability which, after application of the credit allowed by IC 6-3-3-2, shall exceed one thousand dollars ($1,000) for its taxable year.

(g) If the department determines that a corporation's:

(1) estimated quarterly adjusted gross income tax liability for the current year; or

(2) average estimated quarterly adjusted gross income tax liability for the preceding year;

exceeds, before January 1, 1998, twenty thousand dollars ($20,000), and, after December 31, 1997, ten thousand dollars ($10,000), after the credit allowed by IC 6-3-3-2, the corporation shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a corporation's adjusted gross income tax payment is made by electronic funds transfer, the corporation is not required to file an estimated adjusted gross income tax return.

SECTION 167. IC 6-3-4-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. (a) Except as provided in subsection (d) **or (l),** every employer making payments of wages subject to tax under ~~IC 6-3,~~ **this article,** regardless of the place where such payment is made, who is required under the provisions of the Internal Revenue Code to withhold, collect, and pay over income tax on wages paid by such employer to such employee, shall, at the time of payment of such wages, deduct and retain therefrom the amount prescribed in withholding instructions issued by the department. The department shall base its withholding instructions on the adjusted gross income tax rate for persons, on the total rates of any income taxes that the taxpayer is subject to under IC 6-3.5, and on the total amount of exclusions the taxpayer is entitled to under IC 6-3-1-3.5(a)(3) and IC 6-3-1-3.5(a)(4). Such employer making payments of any wages:

(1) shall be liable to the state of Indiana for the payment of the tax required to be deducted and withheld under this section and shall not be liable to any individual for the amount deducted from ~~his~~ **the individual's** wages and paid over in compliance or intended compliance with this section; and

(2) shall make return of and payment to the department monthly of the amount of tax which under ~~IC 6-3~~ **this article** and IC 6-3.5 ~~he~~ **the employer** is required to withhold.

(b) An employer shall pay taxes withheld under subsection (a) during a particular month to the department no later than thirty (30) days after the end of that month. However, in place of monthly reporting periods, the department may permit an employer to report and pay the tax for:

(1) a calendar year reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed ten dollars ($10);

(2) a six (6) month reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed twenty-five dollars ($25); or

(3) a three (3) month reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed seventy-five dollars ($75).

An employer using a reporting period (other than a monthly reporting period) must file the employer's return and pay the tax for a reporting period no later than the last day of the month immediately following the close of the reporting period. If an employer files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under this section, section 8.1 of this chapter, or IC 6-2.5-6-1.

(c) For purposes of determining whether an employee is subject to taxation under IC 6-3.5, an employer is entitled to rely on the statement of ~~his~~ **an** employee as to ~~his~~ **the employee's** county of residence as represented by the statement of address in forms claiming exemptions for purposes of withholding, regardless of when the employee supplied the forms. Every employee shall notify ~~his~~ **the employee's** employer within five (5) days after any change in ~~his~~ **the employee's** county of residence.

(d) A county that makes payments of wages subject to tax under ~~IC 6-3:~~ **this article:**

(1) to a precinct election officer (as defined in IC 3-5-2-40.1); and

(2) for the performance of the duties of the precinct election officer imposed by IC 3 that are performed on election day;

is not required, at the time of payment of the wages, to deduct and retain from the wages the amount prescribed in withholding instructions issued by the department.

(e) Every employer shall, at the time of each payment made by ~~him~~ **the employer** to the department, deliver to the department a return upon the form prescribed by the department showing:

(1) the total amount of wages paid to ~~his~~ **the employer's** employees;

(2) the amount deducted therefrom in accordance with the provisions of the Internal Revenue Code;

(3) the amount of adjusted gross income tax deducted therefrom in

accordance with the provisions of this section;
(4) the amount of income tax, if any, imposed under IC 6-3.5 and deducted therefrom in accordance with this section; and
(5) any other information the department may require.

Every employer making a declaration of withholding as provided in this section shall furnish ~~his~~ **the employer's** employees annually, but not later than thirty (30) days after the end of the calendar year, a record of the total amount of adjusted gross income tax and the amount of each income tax, if any, imposed under IC 6-3.5, withheld from the employees, on the forms prescribed by the department.

(f) All money deducted and withheld by an employer shall immediately upon such deduction be the money of the state, and every employer who deducts and retains any amount of money under the provisions of ~~IC 6-3~~ **this article** shall hold the same in trust for the state of Indiana and for payment thereof to the department in the manner and at the times provided in ~~IC 6-3.~~ **this article.** Any employer may be required to post a surety bond in the sum the department determines to be appropriate to protect the state with respect to money withheld pursuant to this section.

(g) The provisions of IC 6-8.1 relating to additions to tax in case of delinquency and penalties shall apply to employers subject to the provisions of this section, and for these purposes any amount deducted or required to be deducted and remitted to the department under this section shall be considered to be the tax of the employer, and with respect to such amount the employer shall be considered the taxpayer. In the case of a corporate or partnership employer, every officer, employee, or member of such employer, who, as such officer, employee, or member is under a duty to deduct and remit such taxes shall be personally liable for such taxes, penalties, and interest.

(h) Amounts deducted from wages of an employee during any calendar year in accordance with the provisions of this section shall be considered to be in part payment of the tax imposed on such employee for ~~his~~ **the employee's** taxable year which begins in such calendar year, and a return made by the employer under subsection (b) shall be accepted by the department as evidence in favor of the employee of the amount so deducted from ~~his~~ **the employee's** wages. Where the total amount so deducted exceeds the amount of tax on the employee as computed under ~~IC 6-3~~ **this article** and IC 6-3.5, the department shall, after examining the return or returns filed by the employee in accordance with ~~IC 6-3~~ **this article** and IC 6-3.5, refund the amount of the excess deduction. However, under rules promulgated by the department, the excess or any part thereof may be applied to any taxes or other claim due from the taxpayer to the state of Indiana or any subdivision thereof. No refund shall be made to an employee who fails to file ~~his~~ **the employee's** return or returns as required under ~~IC 6-3~~ **this article** and IC 6-3.5 within two (2) years from the due date of the return or returns. In the event that the excess tax deducted is less than one dollar ($1), no refund shall be made.

(i) This section shall in no way relieve any taxpayer from ~~his~~ **the taxpayer's** obligation of filing a return or returns at the time required under ~~IC 6-3~~ **this article** and IC 6-3.5, and, should the amount withheld under the provisions of this section be insufficient to pay the total tax of such taxpayer, such unpaid tax shall be paid at the time prescribed by section 5 of this chapter.

(j) Notwithstanding subsection (b), an employer of a domestic service employee that enters into an agreement with the domestic service employee to withhold federal income tax under Section 3402 of the Internal Revenue Code may withhold Indiana income tax on the domestic service employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(k) To the extent allowed by Section 1137 of the Social Security Act, an employer of a domestic service employee may report and remit state unemployment insurance contributions on the employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(l) **The department shall adopt rules under IC 4-22-2 to exempt an employer from the duty to deduct and remit from the wages of an employee adjusted gross income tax withholding that would otherwise be required under this section whenever:**

(1) an employee has at least one (1) qualifying child, as determined under Section 32 of the Internal Revenue Code;

(2) the employee is eligible for an earned income tax credit under IC 6-3.1-21;

(3) the employee elects to receive advance payments of the earned income tax credit under IC 6-3.1-21 from money that would otherwise be withheld from the employee's wages for adjusted gross income taxes; and

(4) the amount that is not deducted and remitted is distributed to the employee, in accordance with the procedures prescribed by the department, as an advance payment of the earned income tax credit for which the employee is eligible under IC 6-3.1-21.

The rules shall establish the procedures and reports required to

carry out this subsection.

(m) A person who knowingly fails to remit trust fund money as set forth in this section commits a Class D felony.

SECTION 168. IC 6-3-4-8.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8.2. Each person in Indiana who is required under the Internal Revenue Code to withhold federal tax from winnings shall deduct and retain adjusted gross income tax at the time and in the amount described in withholding instructions issued by the department. **In addition, a licensed owner (as defined in IC 4-33-2-13) shall deduct and retain adjusted gross income tax on winnings from a gambling operation (as defined in IC 4-33-2-10) if the net amount or value paid, after deducting the amount of the wager, is at least six hundred dollars ($600), even if federal tax withholding is not required. The licensed owner (as defined in IC 4-33-2-13) shall report and pay the withheld amounts to the department before the close of the business day following the day the winnings are paid, actually or constructively.**

SECTION 169. IC 6-3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) All revenues derived from collection of the adjusted gross income tax imposed on corporations ~~(except the tax revenues allocated under section 2.5 of this chapter to the state general fund)~~ shall be deposited ~~as follows:~~

~~(1) Ten million dollars ($10,000,000) shall for each state fiscal year be deposited~~ in the state general fund.

~~(2) The balance of such revenues shall be deposited into the property tax replacement fund.~~

(b) All revenues derived from collection of the adjusted gross income tax imposed on persons shall be deposited in the state general fund.

SECTION 170. IC 6-3.1-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, the following terms have the following meanings:

(1) "Eligible teacher" means a teacher:

(A) certified in a shortage area by the professional standards board established by IC 20-1-1.4; and

(B) employed under contract during the regular school term by a school corporation in a shortage area.

(2) "Qualified position" means a position that:

(A) is relevant to the teacher's academic training in a shortage area; and

(B) has been approved by the Indiana state board of education under section 6 of this chapter.

(3) "Regular school term" means the period, other than the school

summer recess, during which a teacher is required to perform duties assigned to him under a teaching contract.

(4) "School corporation" means any corporation authorized by law to establish public schools and levy taxes for their maintenance.

(5) "Shortage area" means the subject areas of mathematics and science and any other subject area designated as a shortage area by the Indiana state board of education.

(6) "State income tax liability" means a taxpayer's total income tax liability incurred under IC 6-2.1, ~~and~~ IC 6-3, **and IC 6-5.5,** as computed after application of credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 171. IC 6-3.1-2-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) A credit to which a taxpayer is entitled under this chapter shall be applied ~~in the following manner:~~ **as follows:**

(1) First, against the taxpayer's gross income tax liability for the taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability for the taxable year.~~

(b) A taxpayer that is subject to the financial institutions tax may apply the credit provided by this chapter against the taxpayer's financial institutions tax liability for the taxable year.

SECTION 172. IC 6-3.1-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Base amount" means base amount (as defined in Section 41(c) of the Internal Revenue Code **as in effect on January 1, 2001).**

"Base period Indiana qualified research expense" means base period research expense that is incurred for research conducted in Indiana.

"Base period research expense" means base period research expense (as defined in Section 41(c) of the Internal Revenue Code before January 1, 1990).

"Indiana qualified research expense" means qualified research expense that is incurred for research conducted in Indiana.

"Qualified research expense" means qualified research expense (as defined in Section 41(b) of the Internal Revenue Code **as in effect on January 1, 2001).**

"Pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;
(3) a limited liability company; or
(4) a limited liability partnership.

"Research expense tax credit" means a credit provided under this chapter against any tax otherwise due and payable under IC 6-2.1 or IC 6-3.

"Taxpayer" means an individual, a corporation, a limited liability company, a limited liability partnership, a trust, or a partnership.

SECTION 173. IC 6-3.1-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. ~~(a)~~ A taxpayer who incurs Indiana qualified research expense in a particular taxable year is entitled to a research expense tax credit for the taxable year

~~(b) A taxpayer who does not have income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year~~ in the amount of the product of:

(1) ~~five~~ **ten** percent ~~(5%);~~ **(10%);** multiplied by
(2) the remainder of the taxpayer's Indiana qualified research expenses for the taxable year, minus:
(A) the taxpayer's base period Indiana qualified research expenses, for taxable years beginning before January 1, 1990; or
(B) the taxpayer's base amount, for taxable years beginning after December 31, 1989.

~~(c) A taxpayer who has income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year in the amount of the lesser of:~~

~~(1) the amount determined under subsection (b); or~~
~~(2) five percent (5%) multiplied by the remainder of the taxpayer's total qualified research expenses for the taxable year, minus:~~
~~(A) the taxpayer's base period research expenses, for taxable years beginning before January 1, 1990; or~~
~~(B) the taxpayer's base amount, for taxable years beginning after December 31, 1989;~~
~~further multiplied by the percentage determined under IC 6-3-2-2 for the apportionment of the taxpayer's income for the taxable year to this state.~~

SECTION 174. IC 6-3.1-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) The amount of the credit provided by this chapter that a taxpayer uses during a particular taxable year may not exceed the sum of the taxes imposed by ~~IC 6-2.1 and~~ IC 6-3 for the taxable year after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter. If the credit provided by this chapter exceeds that sum for the taxable year for which the credit is first claimed, then the excess may be carried over to succeeding taxable years and used as a credit against the tax otherwise due and payable by the taxpayer under ~~IC 6-2.1 or~~ IC 6-3 during those taxable years. Each time that the credit is carried over to a succeeding taxable year, it is to be reduced by the amount which was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years following the unused credit year.

(b) A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) A taxpayer is not entitled to any carryback or refund of any unused credit.

SECTION 175. IC 6-3.1-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The provisions of Section 41 of the Internal Revenue Code **as in effect on January 1, 2001,** and the regulations promulgated in respect to those provisions **and in effect on January 1, 2001,** are applicable to the interpretation and administration by the department of the credit provided by this chapter, including the allocation and pass through of the credit to various taxpayers and the transitional rules for determination of the base period.

SECTION 176. IC 6-3.1-4-6, AS AMENDED BY P.L.4-2000, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. ~~Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for Indiana qualified research expense incurred after December 31, 2002.~~ Notwithstanding Section 41 of the Internal Revenue Code, the termination date in Section 41(h) of the Internal Revenue Code does not apply to a taxpayer who is eligible for the credit under this chapter for the taxable year in which the Indiana qualified research expense is incurred.

SECTION 177. IC 6-3.1-5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this chapter:

"New partnership interest" means a general or a limited partnership interest in a limited partnership if the interest is acquired by the taxpayer from the limited partnership.

"New stock" means a share of stock of a corporation if the stock, when purchased by the taxpayer, is authorized but unissued.

"Qualified entity" means the state corporation or other corporation or limited partnership in which the state corporation purchases, before January 1, 1984, new stock or a new partnership interest under section 7(d) of this chapter.

"Qualified investment" means new stock or a new partnership interest in a qualified entity, if the new stock or the new partnership interest is purchased by the taxpayer solely for cash.

"State corporation" means the corporation organized under sections 7 and 8 of this chapter.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4) IC 6-5-10 (the bank tax);~~
~~(5) IC 6-5-11 (the savings and loan association tax);~~
~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, partnership, or other entity that has any state tax liability.

SECTION 178. IC 6-3.1-5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. The state corporation is exempt from all state tax levies, including but not limited to the gross income tax (IC 6-2.1), state gross retail tax (IC 6-2.5), use tax (IC 6-2.5-3), **and** adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and the supplemental net income tax (IC 6-3-8).~~ However, the state corporation is not exempt from employment taxes or taxes imposed by a county or by a municipal corporation.

SECTION 179. IC 6-3.1-5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except as provided in subsection (b), income that is received by a taxpayer **that is a corporation (as defined in IC 6-3-1-10)** by reason of ownership of a qualified investment is exempt from gross income tax (IC 6-2.1) **and** adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and supplemental net income tax (IC 6-3-8).~~

(b) The exemption provided under subsection (a) shall not apply to any income realized by reason of the sale or other disposition of the qualified investment.

SECTION 180. IC 6-3.1-5-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. A taxpayer is exempt from a tax to the extent that the tax is based on or measured by a qualified investment, including but not limited to a tax which might otherwise be imposed with respect to the qualified investment. ~~under the bank tax (IC 6-5-10) or the savings and loan association tax (IC 6-5-11).~~

SECTION 181. IC 6-3.1-5-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) First, against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) Fifth,~~ **(3) Third,** against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

(c) A taxpayer that is subject to the financial institutions tax may apply the credit provided by this chapter against the taxpayer's financial institutions tax liability for the taxable year.

SECTION 182. IC 6-3.1-6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. The department shall apply a credit to which a taxpayer is entitled under this chapter in the following manner:

(1) First, against the taxpayer's gross income tax liability for the taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability for the taxable year.~~

SECTION 183. IC 6-3.1-7-1, AS AMENDED BY P.L.120-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Qualified loan" means a loan made to an entity that uses the loan proceeds for:

(1) a purpose that is directly related to a business located in an enterprise zone;

(2) an improvement that increases the assessed value of real property located in an enterprise zone; or

(3) rehabilitation, repair, or improvement of a residence.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has any state tax liability. The term includes a pass through entity.

SECTION 184. IC 6-3.1-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) First, against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) Fifth,~~ **(3) Third,** against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

(4) Fourth, against the taxpayer's financial institutions tax liability (IC 6-5.5) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 185. IC 6-3.1-9-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Business firm" means any business entity authorized to do business in the state of Indiana that ~~is:~~

~~(1) subject to the gross, adjusted gross, supplemental net income, or financial institutions tax;~~

~~(2) an employer exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(2); or~~

~~(3) a partnership.~~ **has state tax liability.**

"Community services" means any type of counseling and advice, emergency assistance, medical care, recreational facilities, housing facilities, or economic development assistance to individuals, groups, or neighborhood organizations in an economically disadvantaged area.

"Crime prevention" means any activity which aids in the reduction of crime in an economically disadvantaged area.

"Economically disadvantaged area" means an enterprise zone, or any area in Indiana that is certified as an economically disadvantaged area by the department of commerce after consultation with the community services agency. The certification shall be made on the basis of current indices of social and economic conditions, which shall include but not be limited to the median per capita income of the area in relation to the median per capita income of the state or standard metropolitan statistical area in which the area is located.

"Education" means any type of scholastic instruction or scholarship assistance to an individual who resides in an economically disadvantaged area that enables him to prepare himself for better life opportunities.

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Job training" means any type of instruction to an individual who resides in an economically disadvantaged area that enables him to acquire vocational skills so that he can become employable or be able to seek a higher grade of employment.

"Neighborhood assistance" means either:

(1) furnishing financial assistance, labor, material, and technical advice to aid in the physical or economic improvement of any part or all of an economically disadvantaged area; or

(2) furnishing technical advice to promote higher employment in any neighborhood in Indiana.

"Neighborhood organization" means any organization, including but not limited to a nonprofit development corporation:

(1) performing community services in an economically disadvantaged area; and

(2) holding a ruling:

(A) from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code; and

(B) from the department of state revenue that the organization is exempt from income taxation under ~~IC 6-2.1-3-20.~~ **IC 6-2.5-5-21.**

"Person" means any individual subject to Indiana gross or adjusted gross income tax.

"State fiscal year" means a twelve (12) month period beginning on July 1 and ending on June 30.

"State tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); and

(3) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Tax credit" means a deduction from any tax otherwise due and payable under IC 6-2.1, IC 6-3, or IC 6-5.5.

SECTION 186. IC 6-3.1-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) Subject to the limitations provided in subsection (b) and sections 4, 5, and 6 of this chapter, the department shall grant a tax credit against any ~~gross, adjusted gross or supplemental net income~~ **state** tax **liability** due equal to fifty percent (50%) of the amount invested by a business firm or person in a program the proposal for which was approved under section 2 of this chapter.

(b) The credit provided by this chapter shall only be applied against any ~~income~~ **state** tax liability owed by the taxpayer after the application of any credits, which under IC 6-3.1-1-2 must be applied before the credit provided by this chapter. In addition, the tax credit which a taxpayer receives under this chapter may not exceed twenty-five thousand dollars ($25,000) for any taxable year of the taxpayer.

(c) If a business firm that is:

(1) exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(2); or

(2) a partnership;

does not have any tax liability against which the credit provided by this section may be applied, a shareholder or a partner of the business firm is entitled to a credit against the shareholder's or the partner's liability under the adjusted gross income tax.

(d) The amount of the credit provided by this section is equal to:

(1) the tax credit determined for the business firm for the taxable year under subsection (a); multiplied by

(2) the percentage of the business firm's distributive income to which the shareholder or the partner is entitled.

The credit provided by this section is in addition to any credit to which a shareholder or partner is otherwise entitled under this chapter. However, a business firm and a shareholder or partner of that business firm may not claim a credit under this chapter for the same investment.

SECTION 187. IC 6-3.1-11-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 188. IC 6-3.1-11-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 22. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Against the taxpayer's adjusted gross income tax liability

(IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5)~~ **(3)** Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

~~(6)~~ **(4)** Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 189. IC 6-3.1-11.5-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 190. IC 6-3.1-11.5-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5)~~ **(3)** Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

~~(6)~~ **(4)** Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 191. IC 6-3.1-13-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4) IC 6-5-10 (the bank tax);~~
~~(5) IC 6-5-11 (the savings and loan association tax);~~
~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 192. IC 6-3.1-13.5-4, AS ADDED BY P.L.291-2001, SECTION 177, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4) IC 6-5-10 (the bank tax);~~
~~(5) IC 6-5-11 (the savings and loan association tax);~~
~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 193. IC 6-3.1-14-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The department of state revenue shall apply a credit to which a taxpayer is entitled under this chapter in the following manner:

(1) First, against the taxpayer's gross income tax liability (IC 6-2.1-1) for the taxable year.
(2) Second, ~~against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(3) Third,~~ against the taxpayer's adjusted gross income liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

SECTION 194. IC 6-3.1-15-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4) IC 6-5-10 (the bank tax);~~
~~(5) IC 6-5-11 (the savings and loan association tax);~~
~~(6)~~ **(3)** IC 6-5.5 (the financial institutions tax); and
~~(7)~~ **(4)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 195. IC 6-3.1-16-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

(1) IC 6-2.1 (the gross income tax); **and**
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); ~~and~~
~~(3) IC 6-3-8 (the supplemental net income tax);~~

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 196. IC 6-3.1-17-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4) IC 6-5-10 (the bank tax);~~
~~(5) IC 6-5-11 (the savings and loan association tax);~~
~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax);
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax); and
~~(8)~~ **(5)** IC 6-2.5 **(the** state gross retail and use tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 197. IC 6-3.1-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **and**
~~(3) IC 6-3-8 (the supplemental corporate net income tax); and~~
~~(4)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 198. IC 6-3.1-18-6, AS AMENDED BY P.L.4-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) Subject to the limitations provided in subsection (b) and sections 7, 8, 9, 10, and 11 of this chapter, the department shall grant a tax credit against any ~~gross, adjusted gross or supplemental net income~~ **state** tax **liability** due equal to fifty percent (50%) of the amount contributed by a person or an individual to a fund if the contribution is not less than one hundred dollars ($100) and not more than fifty thousand dollars ($50,000).

(b) The credit provided by this chapter shall only be applied against any ~~income~~ **state** tax liability owed by the taxpayer after the application of any credits that under IC 6-3.1-1-2 must be applied before the credit provided by this chapter.

SECTION 199. IC 6-3.1-19-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, "state and local tax liability" means a taxpayer's total tax liability incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(3) IC 6-3-8 (the supplemental net income tax);~~
~~(4)~~ **(3)** IC 6-3.5-1.1 (county adjusted gross income tax);
~~(5)~~ **(4)** IC 6-3.5-6 (county option income tax);
~~(6)~~ **(5)** IC 6-3.5-7 (county economic development income tax);
~~(7) IC 6-5-10 (the bank tax);~~
~~(8) IC 6-5-11 (the savings and loan association tax);~~
~~(9)~~ **(6)** IC 6-5.5 (the financial institutions tax); and
~~(10)~~ **(7)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 200. IC 6-3.1-20-7, AS AMENDED BY P.L.178-2002, SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. (a) The department shall before July 1 of each year determine the amount of credits allowed under this chapter for taxable years ending before January 1 of the year.

(b) One-half (1/2) of the amount determined by the department under subsection (a) shall be:

(1) deducted during the year from the riverboat ~~admissions~~ **wagering** tax revenue otherwise payable to the county under ~~IC 4-33-12-6(d)(2);~~ **IC 4-33-13-5(a)(1)(A);** and

(2) paid instead to the state general fund.

(c) One-sixth (1/6) of the amount determined by the department under subsection (a) shall be:

(1) deducted during the year from the riverboat ~~admissions~~ **wagering** tax revenue otherwise payable under ~~IC 4-33-12-6(d)(1)~~ **IC 4-33-13-5(a)(1)(C)** to each of the following:

(A) The largest city by population located in the county.

(B) The second largest city by population located in the county.

(C) The third largest city by population located in the county; and

(2) paid instead to the state general fund.

SECTION 201. IC 6-3.1-21-6, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. ~~The~~ **(a) An individual who is eligible for an earned income tax credit under Section 32 of the Internal Revenue Code is eligible for a** credit ~~authorized~~ under ~~section 5 of~~ this chapter ~~is~~ equal to ~~three and four-tenths~~ **eight** percent ~~(3.4%)~~ **(8%)** of ~~(1) twelve thousand dollars ($12,000); minus (2)~~ the amount of the ~~individual's Indiana total income.~~ **federal earned income tax credit that the individual:**

(1) is eligible to receive in the taxable year; and

(2) claimed for the taxable year;

under Section 32 of the Internal Revenue Code.

(b) If the credit amount exceeds the taxpayer's adjusted gross income tax liability for the taxable year, the excess, **less any advance payments of the credit made by the taxpayer's employer under IC 6-3-4-8 that reduce the excess,** shall be refunded to the taxpayer.

SECTION 202. IC 6-3.1-21-8, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. To obtain a credit under this chapter **or the advance payment of a credit under this chapter provided under IC 6-3-4-8,** a taxpayer must claim the **advance payment or** credit ~~on the taxpayer's annual state tax return or returns~~ in the manner prescribed by the department of state revenue. The taxpayer shall submit to the department of state revenue all information that the department of state revenue determines is necessary for the calculation of the credit provided by this chapter.

SECTION 203. IC 6-3.1-22.2-3, AS ADDED BY P.L.291-2001, SECTION 149, IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-2.5 **(the** state gross retail and use tax);
(3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(4) IC 6-3-8 (the supplemental corporate net income tax);~~
~~(5) IC 6-5-10 (the bank tax);~~
~~(6) IC 6-5-11 (the savings and loan association tax);~~
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax); and
~~(8)~~ **(5)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 204. IC 6-3.1-23-4, AS ADDED BY P.L.109-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

(1) IC 6-2.1 (the gross income tax);
(2) IC 6-2.5 (the state gross retail and use tax);
(3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(4) IC 6-3-8 (the supplemental net income tax);~~
~~(5) IC 6-5-10 (the bank tax);~~
~~(6) IC 6-5-11 (the savings and loan association tax);~~
~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax); and
~~(8)~~ **(5)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 205. IC 6-3.1-24 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

Chapter 24. Investment Tax Credit

Sec. 1. As used in this chapter, "assessed value" means the assessed value determined under IC 6-1.1-3.

Sec. 2. As used in this chapter, "business personal property" means tangible property (other than real property) that:

(1) was first reported by the taxpayer on a personal property tax return filed for the assessment date of 2002 or a later year;
(2) was never before used by the taxpayer for any purpose in Indiana;
(3) was acquired in a bona fide, good faith transaction, negotiated at arm's length, between parties under separate ownership and control; and

(4) is being held or used in connection with the production of income and is property for which depreciation is allowed for federal income tax purposes, with a useful life of at least three (3) years.

The term does not include inventory (as defined in IC 6-1.1-3-11).

Sec. 3. As used in this chapter, "net ad valorem property taxes" means the amount of property taxes paid by a taxpayer for a particular calendar year after the application of all property tax deductions and property tax credits that are allowed or allowable against the property taxes payable by the taxpayer.

Sec. 4. As used in this chapter, "pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;

(3) a trust;

(4) a limited liability company; or

(5) a limited liability partnership.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

(3) IC 6-5.5 (the financial institutions tax); and

(4) IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 6. As used in this chapter, "taxpayer" means an individual or entity that has state tax liability.

Sec. 7. (a) Except as provided in this chapter, a taxpayer that purchases business personal property is entitled to a credit against the taxpayer's state tax liability for a taxable year for the net ad valorem property taxes on that property paid by the taxpayer by the installment due date under IC 6-1.1-22-9 in the taxable year with respect to the first or second assessment date the property is subject to assessment under IC 6-1.1. The amount of the credit is determined as follows:

(1) For a taxable year in which the property tax is paid with respect to the first assessment date the property is subject to assessment under IC 6-1.1, the credit is equal to fifteen percent (15%) of the net ad valorem property taxes paid on the property in that taxable year.

(2) For a taxable year in which the property tax is paid with

respect to the second assessment date the property is subject to assessment under IC 6-1.1, the credit is equal to ten percent (10%) of the net ad valorem property taxes paid on the property in that year.

(b) A taxpayer that receives a credit for a qualified investment under IC 6-3.1-13.5 is not entitled to a credit under this chapter for ad valorem property taxes paid on the property that constitutes the qualified investment.

(c) A taxpayer that receives a credit for ad valorem property taxes under IC 6-3.1-22.2 is not entitled to a credit under this chapter for personal property with respect to which a credit was granted under IC 6-3.1-22.2.

Sec. 8. If the amount of the credit determined under section 7 of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the excess shall be refunded to the taxpayer.

Sec. 9. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

Sec. 10. (a) To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department proof of payment of an ad valorem property tax and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

(b) If the department determines that property taxes for which a credit was granted under this chapter have been reduced, the department shall make an assessment against the taxpayer under IC 6-8.1 equal to the difference between:

(1) the amount of the credit that was granted under this chapter; and

(2) the amount of the credit that would have been granted under this chapter if the property tax reduction had been in effect at the time the credit was granted under this chapter.

SECTION 206. IC 6-3.5-1.1-15, AS AMENDED BY P.L.120-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

JULY 1, 2002]: Sec. 15. (a) As used in this section, "attributed levy" of a civil taxing unit means the sum of:

(1) the ad valorem property tax levy of the civil taxing unit that is currently being collected at the time the allocation is made; plus

(2) the current ad valorem property tax levy of any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit; plus

(3) the amount of federal revenue sharing funds and certified shares that were used by the civil taxing unit (or any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit) to reduce its ad valorem property tax levies below the limits imposed by IC 6-1.1-18.5; plus

(4) in the case of a county, an amount equal to

~~(A)~~ the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~plus~~

~~(B) after December 31, 2004, the greater of zero (0) or the difference between:~~

~~(i) the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3; minus~~

~~(ii) the current uninsured parents program property tax levy imposed by the county.~~

(b) The part of a county's certified distribution that is to be used as certified shares shall be allocated only among the county's civil taxing units. Each civil taxing unit of a county is entitled to receive a percentage of the certified shares to be distributed in the county equal to the ratio of its attributed levy to the total attributed levies of all civil taxing units of the county.

(c) The local government tax control board established by IC 6-1.1-18.5-11 shall determine the attributed levies of civil taxing units that are entitled to receive certified shares during a calendar year. If the ad valorem property tax levy of any special taxing district, authority, board, or other entity is attributed to another civil taxing unit under subsection (b)(2), then the special taxing district, authority, board, or other entity shall not be treated as having an attributed levy of its own. The local government tax control board shall certify the attributed levy amounts to the appropriate county auditor. The county auditor shall then allocate the certified shares among the civil taxing units of the auditor's county.

(d) Certified shares received by a civil taxing unit shall be treated as additional revenue for the purpose of fixing its budget for the calendar year during which the certified shares will be received. The certified shares may be allocated to or appropriated for any purpose, including property tax relief or a transfer of funds to another civil taxing unit whose levy was attributed to the civil taxing unit in the determination of its attributed levy.

SECTION 207. IC 6-3.5-2-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The following persons are exempt from the employment tax:

(1) the United States;
(2) an agency of the United States;
(3) this state;
(4) an agency of this state;
(5) a political subdivision of this state; and
(6) a taxpayer described in ~~IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, and IC 6-2.1-3-22.~~ **IC 6-2.5-5-21(b)(1).**

However, employees of such persons are not exempt from the employment tax.

SECTION 208. IC 6-3.5-6-17.6, AS AMENDED BY P.L.120-2002, SECTION 3, AND AS AMENDED BY P.L.178-2002, SECTION 66, IS CORRECTED AND IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 17.6. (a) This section applies to a county containing a consolidated city.

(b) On or before July *~~15~~ 2* of each year, the budget agency shall make the following calculation:

STEP ONE: Determine the cumulative balance in a county's account established under section 16 of this chapter as of the end of the current calendar year.
STEP TWO: Divide the amount estimated under section 17(b) of this chapter before any adjustments are made under section 17(c) or 17(d) of this chapter by twelve (12).
STEP THREE: Multiply the STEP TWO amount by three (3).
STEP FOUR: Subtract the amount determined in STEP THREE from the amount determined in STEP ONE.

(c) For 1995, the budget agency shall certify the STEP FOUR amount to the county auditor on or before July 15, 1994. Not later than January 31, 1995, the auditor of state shall distribute the STEP FOUR amount to the county auditor to be used to retire outstanding obligations for a qualified economic development tax project (as defined in IC 36-7-27-9).

(d) After 1995, the STEP FOUR amount shall be distributed to the county auditor in January of the ensuing calendar year. The STEP FOUR amount shall be distributed by the county auditor to the civil taxing units within thirty (30) days after the county auditor receives the distribution. Each civil taxing unit's share equals the STEP FOUR amount multiplied by the quotient of:

(1) the maximum permissible property tax levy under IC 6-1.1-18.5 for the civil taxing unit, plus, for a county, an amount equal to

~~(A)~~ the property taxes imposed by the county in 1999 for the county's welfare administration fund; ~~plus~~

~~(B) after December 31, *2002, 2004,* the greater of zero (0) or the difference between:~~

~~(i) the county hospital care for the indigent property tax levy imposed by the county in *2002, 2004* adjusted each year after *2002 2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3; minus~~

~~(ii) the current uninsured parents program property tax levy imposed by the county;~~ divided by

(2) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5 for all civil taxing units of the county, plus an amount equal to

~~(A)~~ the property taxes imposed by the county in 1999 for the county's welfare administration fund. ~~plus~~

~~(B) after December 31, *2002, 2004,* the greater of zero (0) or the difference between:~~

~~(i) the county hospital care for the indigent property tax levy imposed by the county in *2002, 2004* adjusted each year after *2002 2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3; minus~~

~~(ii) the current uninsured parents program property tax levy imposed by the county.~~

SECTION 209. IC 6-3.5-6-18, AS AMENDED BY P.L.120-2002, SECTION 4, AND AS AMENDED BY P.L.90-2002, SECTION 296, IS CORRECTED AND IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 18. (a) The revenue a county auditor receives under this chapter shall be used to:

(1) replace the amount, if any, of property tax revenue lost due to the allowance of an increased homestead credit within the county;

(2) fund the operation of a public communications system and computer facilities district as provided in an election, if any, made by the county fiscal body under IC 36-8-15-19(b);

(3) fund the operation of a public transportation corporation as provided in an election, if any, made by the county fiscal body

under IC 36-9-4-42;

(4) make payments permitted under IC 36-7-15.1-17.5;

(5) make payments permitted under subsection (i); and

(6) make distributions of distributive shares to the civil taxing units of a county.

(b) The county auditor shall retain from the payments of the county's certified distribution, an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. This money shall be distributed to the civil taxing units and school corporations of the county as though they were property tax collections and in such a manner that no civil taxing unit or school corporation shall suffer a net revenue loss due to the allowance of an increased homestead credit.

(c) The county auditor shall retain the amount, if any, specified by the county fiscal body for a particular calendar year under subsection (i), IC 36-7-15.1-17.5, IC 36-8-15-19(b), and IC 36-9-4-42 from the county's certified distribution for that same calendar year. The county auditor shall distribute amounts retained under this subsection to the county.

(d) All certified distribution revenues that are not retained and distributed under subsections (b) and (c) shall be distributed to the civil taxing units of the county as distributive shares.

(e) The amount of distributive shares that each civil taxing unit in a county is entitled to receive during a month equals the product of the following:

(1) The amount of revenue that is to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the total property taxes that are first due and payable to the civil taxing unit during the calendar year in which the month falls, plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~and after December 31,~~ ~~*2002,*~~ ~~*2004,*~~ ~~the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in~~ ~~*2002,*~~ ~~*2004,*~~ ~~adjusted each year after~~ ~~*2002*~~ ~~*2004*~~ ~~by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~ The denominator of the fraction equals the sum of the total property taxes that are first due and payable to all civil taxing units of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's

welfare fund and welfare administration fund. ~~and after December 31, *2002, 2004,* the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in *2002, 2004,* adjusted each year after *2002 2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~

(f) The ~~*state board of tax commissioners*~~ *department of local government finance* shall provide each county auditor with the fractional amount of distributive shares that each civil taxing unit in the auditor's county is entitled to receive monthly under this section.

(g) Notwithstanding subsection (e), if a civil taxing unit of an adopting county does not impose a property tax levy that is first due and payable in a calendar year in which distributive shares are being distributed under this section, that civil taxing unit is entitled to receive a part of the revenue to be distributed as distributive shares under this section within the county. The fractional amount such a civil taxing unit is entitled to receive each month during that calendar year equals the product of the following:

(1) The amount to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the budget of that civil taxing unit for that calendar year. The denominator of the fraction equals the aggregate budgets of all civil taxing units of that county for that calendar year.

(h) If for a calendar year a civil taxing unit is allocated a part of a county's distributive shares by subsection (g), then the formula used in subsection (e) to determine all other civil taxing units' distributive shares shall be changed each month for that same year by reducing the amount to be distributed as distributive shares under subsection (e) by the amount of distributive shares allocated under subsection (g) for that same month. The ~~*state board of tax commissioners*~~ *department of local government finance* shall make any adjustments required by this subsection and provide them to the appropriate county auditors.

(i) Notwithstanding any other law, a county fiscal body may pledge revenues received under this chapter to the payment of bonds or lease rentals to finance a qualified economic development tax project under IC 36-7-27 in that county or in any other county if the county fiscal body determines that the project will promote significant opportunities for the gainful employment or retention of employment of the county's residents.

SECTION 210. IC 6-3.5-6-18.5, AS AMENDED BY P.L.120-2002,

SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 18.5. (a) This section applies to a county containing a consolidated city.

(b) Notwithstanding section 18(e) of this chapter, the distributive shares that each civil taxing unit in a county containing a consolidated city is entitled to receive during a month equals the following:

(1) For the calendar year beginning January 1, 1995, calculate the total amount of revenues that are to be distributed as distributive shares during that month multiplied by the following factor:

Center Township	.0251
Decatur Township	.00217
Franklin Township	.0023
Lawrence Township	.01177
Perry Township	.01130
Pike Township	.01865
Warren Township	.01359
Washington Township	.01346
Wayne Township	.01307
Lawrence-City	.00858
Beech Grove	.00845
Southport	.00025
Speedway	.00722
Indianapolis/Marion County	.86409

(2) Notwithstanding subdivision (1), for the calendar year beginning January 1, 1995, the distributive shares for each civil taxing unit in a county containing a consolidated city shall be not less than the following:

Center Township	$1,898,145
Decatur Township	$164,103
Franklin Township	$173,934
Lawrence Township	$890,086
Perry Township	$854,544
Pike Township	$1,410,375
Warren Township	$1,027,721
Washington Township	$1,017,890
Wayne Township	$988,397
Lawrence-City	$648,848
Beech Grove	$639,017
Southport	$18,906
Speedway	$546,000

(3) For each year after 1995, calculate the total amount of revenues that are to be distributed as distributive shares during

that month as follows:

STEP ONE: Determine the total amount of revenues that were distributed as distributive shares during that month in calendar year 1995.

STEP TWO: Determine the total amount of revenue that the department has certified as distributive shares for that month under section 17 of this chapter for the calendar year.

STEP THREE: Subtract the STEP ONE result from the STEP TWO result.

STEP FOUR: If the STEP THREE result is less than or equal to zero (0), multiply the STEP TWO result by the ratio established under subdivision (1).

STEP FIVE: Determine the ratio of:

(A) the maximum permissible property tax levy under IC 6-1.1-18.5 and IC 6-1.1-18.6 for each civil taxing unit for the calendar year in which the month falls, plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund; ~~and after December 31, 2004, the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county;~~ divided by

(B) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5 and IC 6-1.1-18.6 for all civil taxing units of the county during the calendar year in which the month falls, and an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~and after December 31, 2004, the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~

STEP SIX: If the STEP THREE result is greater than zero (0), the STEP ONE amount shall be distributed by multiplying the STEP ONE amount by the ratio established under subdivision

(1).

STEP SEVEN: For each taxing unit determine the STEP FIVE ratio multiplied by the STEP TWO amount.

STEP EIGHT: For each civil taxing unit determine the difference between the STEP SEVEN amount minus the product of the STEP ONE amount multiplied by the ratio established under subdivision (1). The STEP THREE excess shall be distributed as provided in STEP NINE only to the civil taxing units that have a STEP EIGHT difference greater than or equal to zero (0).

STEP NINE: For the civil taxing units qualifying for a distribution under STEP EIGHT, each civil taxing unit's share equals the STEP THREE excess multiplied by the ratio of:

(A) the maximum permissible property tax levy under IC 6-1.1-18.5 and IC 6-1.1-18.6 for the qualifying civil taxing unit during the calendar year in which the month falls, plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund; ~~and after December 31, 2004, the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county;~~ divided by

(B) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5 and IC 6-1.1-18.6 for all qualifying civil taxing units of the county during the calendar year in which the month falls, and an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~and after December 31, 2004, the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~

SECTION 211. IC 6-3.5-7-12, AS AMENDED BY P.L.120-2002, SECTION 6, AND AS AMENDED BY P.L.90-2002, SECTION 298, IS CORRECTED AND IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JULY 1, 2002]: Sec. 12. (a) Except as provided in section 23 of this chapter, the county auditor shall distribute in the manner specified in this section the certified distribution to the county.

(b) Except as provided in subsections (c) and (h) and section 15 of this chapter, the amount of the certified distribution that the county and each city or town in a county is entitled to receive during May and November of each year equals the product of the following:

(1) The amount of the certified distribution for that month; multiplied by

(2) A fraction. The numerator of the fraction equals the sum of the following:

(A) Total property taxes that are first due and payable to the county, city, or town during the calendar year in which the month falls; plus

(B) For a county, an amount equal to ~~(i)~~ the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~plus (ii) after December 31, *2002, 2004,* the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in *2002, 2004,* adjusted each year after *2002 2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~

The denominator of the fraction equals the sum of the total property taxes that are first due and payable to the county and all cities and towns of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. ~~and after December 31, *2002, 2004,* the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in *2002, 2004,* adjusted each year after *2002 2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.~~

(c) This subsection applies to a county council or county income tax council that imposes a tax under this chapter after June 1, 1992. The body imposing the tax may adopt an ordinance before July 1 of a year to provide for the distribution of certified distributions under this subsection instead of a distribution under subsection (b). The following apply if an ordinance is adopted under this subsection:

(1) The ordinance is effective January 1 of the following year.

(2) The amount of the certified distribution that the county and each city and town in the county is entitled to receive during May and November of each year equals the product of:

(A) the amount of the certified distribution for the month; multiplied by

(B) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or town. The denominator of the fraction equals the sum of the population of all cities and towns located in the county and the population of the part of the county that is not located in a city or town.

(3) The ordinance may be made irrevocable for the duration of specified lease rental or debt service payments.

(d) The body imposing the tax may not adopt an ordinance under subsection (c) if, before the adoption of the proposed ordinance, any of the following have pledged the county economic development income tax for any purpose permitted by IC 5-1-14 or any other statute:

(1) The county.

(2) A city or town in the county.

(3) A commission, a board, a department, or an authority that is authorized by statute to pledge the county economic development income tax.

(e) The ~~*state board of tax commissioners*~~ *department of local government finance* shall provide each county auditor with the fractional amount of the certified distribution that the county and each city or town in the county is entitled to receive under this section.

(f) Money received by a county, city, or town under this section shall be deposited in the unit's economic development income tax fund.

(g) Except as provided in subsection (b)(2)(B), in determining the fractional amount of the certified distribution the county and its cities and towns are entitled to receive under subsection (b) during a calendar year, the ~~*state board of tax commissioners*~~ *department of local government finance* shall consider only property taxes imposed on tangible property subject to assessment in that county.

(h) In a county having a consolidated city, only the consolidated city is entitled to the certified distribution, subject to the requirements of section 15 of this chapter.

SECTION 212. IC 6-3.5-7-23, AS AMENDED BY P.L.87-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. (a) This section applies only to a county having a population of more than fifty-five thousand (55,000) but less than sixty-five thousand (65,000).

(b) The county council may by ordinance determine that, in order to promote the development of libraries in the county and thereby encourage economic development, it is necessary to use economic development income tax revenue to replace library property taxes in the county. However, a county council may adopt an ordinance under this subsection only if all territory in the county is included in a library district.

(c) If the county council makes a determination under subsection (b), the county council may designate the county economic development income tax revenue generated by the tax rate adopted under section 5 of this chapter, or revenue generated by a portion of the tax rate, as revenue that will be used to replace public library property taxes imposed by public libraries in the county. The county council may not designate for library property tax replacement purposes any county economic development income tax revenue that is generated by a tax rate of more than fifteen-hundredths percent (0.15%).

(d) The county treasurer shall establish a library property tax replacement fund to be used only for the purposes described in this section. County economic development income tax revenues derived from the portion of the tax rate designated for property tax replacement credits under subsection (c) shall be deposited in the library property tax replacement fund before certified distributions are made under section 12 of this chapter. Any interest earned on money in the library property tax replacement fund shall be credited to the library property tax replacement fund.

(e) The amount of county economic development income tax revenue dedicated to providing library property tax replacement credits shall, in the manner prescribed in this section, be allocated to public libraries operating in the county and shall be used by those public libraries as property tax replacement credits. The amount of property tax replacement credits that each public library in the county is entitled to receive during a calendar year under this section equals the lesser of:

(1) the product of:

(A) the amount of revenue deposited by the county auditor in the library property tax replacement fund; multiplied by

(B) a fraction described as follows:

(i) The numerator of the fraction equals the sum of the total property taxes that would have been collected by the public library during the previous calendar year from taxpayers located within the library district if the property tax replacement under this section had not been in effect.

(ii) The denominator of the fraction equals the sum of the total property taxes that would have been collected during the previous year from taxpayers located within the county by all public libraries that are eligible to receive property tax replacement credits under this section if the property tax replacement under this section had not been in effect; or

(2) the total property taxes that would otherwise be collected by the public library for the calendar year if the property tax replacement credit under this section were not in effect.

The department of local government finance shall make any adjustments necessary to account for the expansion of a library district. However, a public library is eligible to receive property tax replacement credits under this section only if it has entered into reciprocal borrowing agreements with all other public libraries in the county. If the total amount of county economic development income tax revenue deposited by the county auditor in the library property tax replacement fund for a calendar year exceeds the total property tax liability that would otherwise be imposed for public libraries in the county for the year, the excess shall remain in the library property tax replacement fund and shall be used for library property tax replacement purposes in the following calendar year.

(f) Notwithstanding subsection (e), if a public library did not impose a property tax levy during the previous calendar year, that public library is entitled to receive a part of the property tax replacement credits to be distributed for the calendar year. The amount of property tax replacement credits the public library is entitled to receive during the calendar year equals the product of:

(1) the amount of revenue deposited in the library property tax replacement fund; multiplied by

(2) a fraction. The numerator of the fraction equals the budget of the public library for that calendar year. The denominator of the fraction equals the aggregate budgets of public libraries in the county for that calendar year.

If for a calendar year a public library is allocated a part of the property tax replacement credits under this subsection, then the amount of property tax credits distributed to other public libraries in the county for the calendar year shall be reduced by the amount to be distributed as property tax replacement credits under this subsection. The department of local government finance shall make any adjustments required by this subsection and provide the adjustments to the county auditor.

(g) The department of local government finance shall inform the county auditor of the amount of property tax replacement credits that each public library in the county is entitled to receive under this section. The county auditor shall certify to each public library the amount of property tax replacement credits that the public library is entitled to receive during that calendar year. The county auditor shall also certify these amounts to the county treasurer.

(h) A public library receiving property tax replacement credits under this section shall allocate the credits among each fund for which a distinct property tax levy is imposed. The amount that must be allocated to each fund equals:

(1) the amount of property tax replacement credits provided to the public library under this section; multiplied by

(2) the amount determined in STEP THREE of the following formula:

STEP ONE: Determine the property taxes that would have been collected for each fund by the public library during the previous calendar year if the property tax replacement under this section had not been in effect.

STEP TWO: Determine the sum of the total property taxes that would have been collected for all funds by the public library during the previous calendar year if the property tax replacement under this section had not been in effect.

STEP THREE: Divide the STEP ONE amount by the STEP TWO amount.

However, if a public library did not impose a property tax levy during the previous calendar year or did not impose a property tax levy for a particular fund during the previous calendar year, but the public library is imposing a property tax levy in the current calendar year or is imposing a property tax levy for the particular fund in the current calendar year, the department of local government finance shall adjust the amount of property tax replacement credits allocated among the various funds of the public library and shall provide the adjustment to the county auditor. If a public library receiving property tax replacement credits under this section does not impose a property tax levy for a particular fund that is first due and payable in a calendar year in which the property tax replacement credits are being distributed, the public library is not required to allocate to that fund a part of the property tax replacement credits to be distributed to the public library. Notwithstanding IC 6-1.1-20-1.1(1), a public library that receives property tax replacement credits under this section is subject to the procedures for the issuance of bonds set forth in IC 6-1.1-20.

(i) For each public library that receives property tax credits under this section, the department of local government finance shall certify to the county auditor the property tax rate applicable to each fund after the property tax replacement credits are allocated.

(j) A public library shall treat property tax replacement credits received during a particular calendar year under this section as a part of the public library's property tax levy for each fund for that same calendar year for purposes of fixing the public library's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(k) The property tax replacement credits that are received under this section do not reduce the total county tax levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. For the purpose of computing and distributing certified distributions under IC 6-3.5-1.1 and tax revenue under ~~IC 6-5-10, IC 6-5-11, IC 6-5-12,~~ IC 6-5.5 or IC 6-6-5, the property tax replacement credits that are received under this section shall be treated as though they were property taxes that were due and payable during that same calendar year.

SECTION 213. IC 6-5.5-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 2. (a) Except as provided in subsections (b) through (d), "adjusted gross income" means taxable income as defined in Section 63 of the Internal Revenue Code, adjusted as follows:

(1) Add the following amounts:

(A) An amount equal to a deduction allowed or allowable under Section 166, Section 585, or Section 593 of the Internal Revenue Code.

(B) An amount equal to a deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(C) An amount equal to a deduction or deductions allowed or allowable under Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by a state of the United States or levied at the local level by any subdivision of a state of the United States.

(D) The amount of interest excluded under Section 103 of the Internal Revenue Code or under any other federal law, minus the associated expenses disallowed in the computation of taxable income under Section 265 of the Internal Revenue Code.

(E) An amount equal to the deduction allowed under Section 172 or 1212 of the Internal Revenue Code for net operating losses or net capital losses.

(F) For a taxpayer that is not a large bank (as defined in Section 585(c)(2) of the Internal Revenue Code), an amount equal to the recovery of a debt, or part of a debt, that becomes worthless to the extent a deduction was allowed from gross income in a prior taxable year under Section 166(a) of the Internal Revenue Code.

(G) For taxable years beginning after December 31, 2001, and before January 1, 2005, add an amount equal to a deduction or deductions allowed or allowable under Section 63 of the Internal Revenue Code for taxes on property levied by a state or subdivision of a state of the United States.

(2) Subtract the following amounts:

(A) Income that the United States Constitution or any statute of the United States prohibits from being used to measure the tax imposed by this chapter.

(B) Income that is derived from sources outside the United States, as defined by the Internal Revenue Code.

(C) An amount equal to a debt or part of a debt that becomes worthless, as permitted under Section 166(a) of the Internal Revenue Code.

(D) An amount equal to any bad debt reserves that are included in federal income because of accounting method changes required by Section 585(c)(3)(A) or Section 593 of the Internal Revenue Code.

(b) In the case of a credit union, "adjusted gross income" for a taxable year means the total transfers to undivided earnings minus dividends for that taxable year after statutory reserves are set aside under IC 28-7-1-24.

(c) In the case of an investment company, "adjusted gross income" means the company's federal taxable income multiplied by the quotient of:

(1) the aggregate of the gross payments collected by the company during the taxable year from old and new business upon investment contracts issued by the company and held by residents of Indiana; divided by

(2) the total amount of gross payments collected during the taxable year by the company from the business upon investment contracts issued by the company and held by persons residing within Indiana and elsewhere.

(d) As used in subsection (c), "investment company" means a person, copartnership, association, limited liability company, or corporation, whether domestic or foreign, that:

(1) is registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.); and

(2) solicits or receives a payment to be made to itself and issues in exchange for the payment:

(A) a so-called bond;

(B) a share;

(C) a coupon;

(D) a certificate of membership;

(E) an agreement;

(F) a pretended agreement; or

(G) other evidences of obligation;

entitling the holder to anything of value at some future date, if the gross payments received by the company during the taxable year on outstanding investment contracts, plus interest and dividends earned on those contracts (by prorating the interest and dividends earned on investment contracts by the same proportion that certificate reserves (as defined by the Investment Company Act of 1940) is to the company's total assets) is at least fifty percent (50%) of the company's gross payments upon investment contracts plus gross income from all other sources except dividends from subsidiaries for the taxable year. The term "investment contract" means an instrument listed in clauses (A) through (G).

SECTION 214. IC 6-5.5-2-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 9. Refunds under IC 6-1.1-21-13 are exempt from the financial institutions tax imposed under this article.**

SECTION 215. IC 6-5.5-8-2, AS AMENDED BY P.L.90-2002, SECTION 303, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) On or before February 1, May 1, August 1, and December 1 of each year the auditor of state shall transfer to each county auditor for distribution to the taxing units (as defined in IC 6-1.1-1-21) in the county, an amount equal to one-fourth (1/4) of the sum of the guaranteed amounts for all the taxing units of the county. On or before August 1 of each year the auditor of state shall transfer to each county auditor the supplemental distribution for the county for the year.

(b) For purposes of determining distributions under subsection ~~(b),~~ **(c),** the department of local government finance shall determine a state welfare allocation for each county calculated as follows:

(1) For 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under the following formula:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(A) the amounts appropriated by the county in the year for the county's county welfare fund and county welfare administration fund; divided by

(B) the amounts appropriated by all the taxing units in the county in the year.

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under subsection (b) without regard to this subdivision.

STEP FIVE: Determine the result of:

(A) the STEP FOUR amount; multiplied by

(B) the STEP THREE result.

(2) The state welfare allocation shall be deducted from the distributions otherwise payable under subsection ~~(b)~~ **(c)** to the taxing unit that is a county and shall be deposited in a special account within the state general fund.

~~(b)~~ **(c)** A taxing unit's guaranteed distribution for a year is the greater of zero (0) or an amount equal to:

(1) the amount received by the taxing unit under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989; minus

(2) the amount to be received by the taxing unit in the year of the distribution, as determined by the department of local government finance, from property taxes attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee; minus

(3) in the case of a taxing unit that is a county, the amount that would have been received by the taxing unit in the year of the distribution, as determined by the department of local government finance from property taxes that:

(A) were calculated for the county's county welfare fund and county welfare administration fund for 2000 but were not imposed because of the repeal of IC 12-19-3 and IC 12-19-4; and

(B) would have been attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee.

~~(c)~~ **(d)** The amount of the supplemental distribution for a county for a year shall be determined using the following formula:

STEP ONE: Determine the greater of zero (0) or the difference between:

(A) one-half (1/2) of the taxes that the department estimates will be paid under this article during the year; minus

(B) the sum of all the guaranteed distributions, before the subtraction of all state welfare allocations under subsection (a), for all taxing units in all counties plus the bank personal property taxes to be received by all taxing units in all counties, as determined under subsection ~~(b)(2)~~ **(c)(2)** for the year.

STEP TWO: Determine the quotient of:

(A) the amount received under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989 by all taxing units in the county; divided by

(B) the sum of the amounts received under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989 by all taxing units in all counties.

STEP THREE: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the amount determined in STEP TWO.

STEP FOUR: Determine the greater of zero (0) or the difference between:

(A) the amount of supplemental distribution determined in STEP THREE for the county; minus

(B) the amount of refunds granted under IC 6-5-10-7 **(repealed)** that have yet to be reimbursed to the state by the county treasurer under IC 6-5-10-13 **(repealed).**

For the supplemental distribution made on or before August 1 of each year, the department shall adjust the amount of each county's supplemental distribution to reflect the actual taxes paid under this article for the preceding year.

~~(d)~~ **(e)** Except as provided in subsection ~~(f),~~ **(g),** the amount of the supplemental distribution for each taxing unit shall be determined using the following formula:

STEP ONE: Determine the quotient of:

(A) the amount received by the taxing unit under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989; divided by

(B) the sum of the amounts used in STEP ONE (A) for all taxing units located in the county.

STEP TWO: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the supplemental distribution for the county, as determined in subsection ~~(c),~~ **(d),** STEP FOUR.

~~(e)~~ **(f)** The county auditor shall distribute the guaranteed and supplemental distributions received under subsection (a) to the taxing units in the county at the same time that the county auditor makes the semiannual distribution of real property taxes to the taxing units.

~~(f)~~ **(g)** The amount of a supplemental distribution paid to a taxing unit that is a county shall be reduced by an amount equal to:

(1) the amount the county would receive under subsection ~~(d)~~ **(e)** without regard to this subsection; minus

(2) an amount equal to:

(A) the amount under subdivision (1); multiplied by

(B) the result of the following:

(i) Determine the amounts appropriated by the county in 1997, 1998, and 1999, from the county's county welfare fund and county welfare administration fund, divided by the total amounts appropriated by all the taxing units in the county in the year.

(ii) Divide the amount determined in item (i) by three (3).

SECTION 216. IC 6-5.5-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. If the tax imposed by this article is held inapplicable or invalid with respect to a taxpayer, then notwithstanding the statute of limitations set forth in IC 6-8.1-5-2(a), the taxpayer is liable for the taxes imposed by ~~IC 6-2.1~~ IC 6-3 ~~and IC 6-5~~ for the taxable periods with respect to which the tax under this article is held inapplicable or invalid. ~~In addition, personal property is exempt from assessment and property taxation under IC 6-1.1 if:~~

~~(1) the personal property is owned by a financial institution;~~

~~(2) the financial institution is subject to the bank tax imposed under IC 6-5-10; and~~

~~(3) the property is not leased by the financial institution to a lessee under circumstances in which possession is transferred to the lessee.~~

SECTION 217. IC 6-5.5-9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A taxpayer who is subject to taxation under this article for a taxable year or part of a taxable year is not, for that taxable year or part of a taxable year, subject to

~~(1) the gross income tax imposed by IC 6-2.1;~~
~~(2)~~ the income taxes imposed by IC 6-3. ~~and~~
~~(3) the bank, savings and loan, or production credit association tax imposed by IC 6-5.~~

(b) The ~~exemptions~~ **exemption** provided for the taxes listed in subsection ~~(a)(1) through (a)(2) do~~ **(a) does** not apply to a taxpayer to the extent the taxpayer is acting in a fiduciary capacity.

SECTION 218. IC 6-6-1.1-1204 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1204. (a) No city, town, county, township, or other subdivision or municipal corporation of the state may levy or collect:

(1) an excise tax on or measured by the sale, receipt, distribution, or use of gasoline; or
(2) an excise, privilege, or occupational tax on the business of manufacturing, selling, or distributing gasoline.

(b) The provisions of subsection (a) may not be construed as to relieve a distributor or dealer from payment of ~~the~~ **a** state ~~gross income~~ tax or state store license.

SECTION 219. IC 6-6-5-10, AS AMENDED BY P.L.120-2002, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. (a) The bureau shall establish procedures necessary for the collection of the tax imposed by this chapter and for the proper accounting for the same. The necessary forms and records shall be subject to approval by the state board of accounts.

(b) The county treasurer, upon receiving the excise tax collections, shall receipt such collections into a separate account for settlement thereof at the same time as property taxes are accounted for and settled in June and December of each year, with the right and duty of the treasurer and auditor to make advances prior to the time of final settlement of such property taxes in the same manner as provided in IC 5-13-6-3.

(c) The county auditor shall determine the total amount of excise taxes collected for each taxing unit in the county and the amount so collected (and the distributions received under section 9.5 of this chapter) shall be apportioned and distributed among the respective funds of each taxing unit in the same manner and at the same time as property taxes are apportioned and distributed. ~~However, after December 31, 2004, an amount equal to the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in 2004, adjusted each year after 2004 by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property~~

~~tax levy imposed by the county, shall be treated as property taxes apportioned to the county unit.~~ However, for purposes of determining distributions under this section for 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under STEP FIVE of the following STEPS:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(i) the amounts appropriated by the county in the year from the county's county welfare fund and county welfare administration fund; divided by

(ii) the total amounts appropriated by all the taxing units in the county in the year.

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under this subsection without regard to this subdivision.

STEP FIVE: Determine the result of:

(i) the STEP FOUR amount; multiplied by

(ii) the STEP THREE result.

The state welfare allocation shall be deducted from the total amount available for apportionment and distribution to taxing units under this section before any apportionment and distribution is made. The county auditor shall remit the state welfare allocation to the treasurer of state for deposit in a special account within the state general fund.

(d) Such determination shall be made from copies of vehicle registration forms furnished by the bureau of motor vehicles. Prior to such determination, the county assessor of each county shall, from copies of registration forms, cause information pertaining to legal residence of persons owning taxable vehicles to be verified from the assessor's records, to the extent such verification can be so made. The assessor shall further identify and verify from the assessor's records the several taxing units within which such persons reside.

(e) Such verifications shall be done by not later than thirty (30) days after receipt of vehicle registration forms by the county assessor, and the assessor shall certify such information to the county auditor for the auditor's use as soon as it is checked and completed.

SECTION 220. IC 6-7-1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 12. (a) The following taxes are imposed, and shall be collected and paid as provided in this chapter, upon the sale, exchange, bartering, furnishing, giving away, or otherwise disposing of cigarettes within the state of Indiana:

(1) On cigarettes weighing not more than three (3) pounds per thousand (1,000), a tax at the rate of ~~seven hundred seventy-five thousandths of a cent ($0.00775)~~ **two and seventy-five hundredths of a cent ($0.0275)** per individual cigarette.

(2) On cigarettes weighing more than three (3) pounds per thousand (1,000), a tax at the rate of ~~one and three-hundredths of a cent ($0.0103)~~ **three and six thousand five hundred forty-eight ten-thousandths of a cent ($0.036548)** per individual cigarette, except that if any cigarettes weighing more than three (3) pounds per thousand (1,000) shall be more than six and one-half (6 1/2) inches in length, they shall be taxable at the rate provided in subdivision (1), counting each two and three-fourths (2 3/4) inches (or fraction thereof) as a separate cigarette.

(b) Upon all cigarette papers, wrappers, or tubes, made or prepared for the purpose of making cigarettes, which are sold, exchanged, bartered, given away, or otherwise disposed of within the state of Indiana (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes), the following taxes are imposed, and shall be collected and paid as provided in this chapter:

(1) On fifty (50) papers or less, a tax of one-half cent ($0.005).

(2) On more than fifty (50) papers but not more than one hundred (100) papers, a tax of one cent ($0.01).

(3) On more than one hundred (100) papers, one-half cent ($0.005) for each fifty (50) papers or fractional part thereof.

(4) On tubes, one cent ($0.01) for each fifty (50) tubes or fractional part thereof.

SECTION 221. IC 6-7-1-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 17. (a) Distributors who hold certificates and retailers shall be agents of the state in the collection of the taxes imposed by this chapter and the amount of the tax levied, assessed, and imposed by this chapter on cigarettes sold, exchanged, bartered, furnished, given away, or otherwise disposed of by distributors or to retailers. Distributors who hold certificates shall be agents of the department to affix the required stamps and shall be entitled to purchase the stamps from the department at a discount of ~~four~~ **one and four-tenths** percent ~~(4%)~~ **(1.4%)** of the amount of the tax stamps purchased, as compensation for their labor and expense.

(b) The department may permit distributors who hold certificates and who are admitted to do business in Indiana to pay for revenue stamps within thirty (30) days after the date of purchase. However, the privilege is extended upon the express condition that a bond or letter of credit satisfactory to the department, in an amount not less than the sales price of the stamps, is filed with the department, and proof of payment is made of all local property, state income, and excise taxes for which any such distributor may be liable. The bond or letter of credit, conditioned to secure payment for the stamps, shall be executed by the distributor as principal and by a corporation duly authorized to engage in business as a surety company or financial institution in Indiana.

SECTION 222. IC 6-7-1-28.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JUNE 1, 2002]: Sec. 28.1. **(a) An amount equal to one-tenth percent (0.1%) of the amount of tax stamps sold under section 14 of this chapter shall be deposited in the minority health initiatives fund established by IC 16-46-11-2.**

(b) After the amount described in subsection (a) is deposited in the minority health initiatives fund, the **remaining** taxes, registration fees, fines, or penalties collected under this chapter shall be deposited in the following manner:

(1) ~~Seven thirty-firsts (7/31)~~ **Six and fifty-nine hundredths percent (6.59%)** of the money shall be deposited in a fund to be known as the cigarette tax fund.

(2) ~~One thirty-first (1/31)~~ **Ninety-four hundredths percent (0.94%)** of the money shall be deposited in a fund to be known as the mental health centers fund.

(3) ~~Fourteen thirty-firsts (14/31)~~ **Thirteen and seventeen hundredths percent (13.17%)** of the money shall be deposited in the state general fund.

(4) ~~Nine thirty-firsts (9/31)~~ **Eight and forty-seven hundredths percent (8.47%)** of the money shall be deposited into the pension relief fund established in IC 5-10.3-11.

(5) Seventy and eighty-three hundredths percent (70.83%) of the money shall be deposited into the property tax replacement fund.

The money in the cigarette tax fund, the mental health centers fund, or the pension relief fund at the end of a fiscal year does not revert to the state general fund. However, if in any fiscal year, the amount allocated to a fund under subdivision (1) or (2) is less than the amount received in fiscal year 1977, then that fund shall be credited with the difference between the amount allocated and the amount received in fiscal year 1977, and the allocation for the fiscal year to the fund under subdivision (3) shall be reduced by the amount of that difference.

SECTION 223. IC 6-7-1-29.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JUNE 1, 2002]: Sec. 29.1. (a) ~~One-third~~

~~(1/3)~~ **Thirty-two percent (32%)** of the money in the cigarette tax fund is annually appropriated to the department of natural resources.

(b) The department shall use at least two percent (2%) but not more than twenty-one percent (21%) of the money appropriated to it under this section for:

(1) flood control and water resource projects, including multiple-purpose reservoirs; and

(2) applied research related to technical water resource problems.

The department may use the money to plan, design, acquire land for, or construct the projects.

(c) The department shall use at least thirty-six percent (36%) of the money appropriated to it under this section to construct, reconstruct, rehabilitate, or repair general conservation facilities or to acquire land.

(d) The department shall use at least forty-three percent (43%) of the money appropriated to the department under this section for soil conservation and lake and river enhancement under IC 14-32.

SECTION 224. IC 6-7-1-30.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JUNE 1, 2002]: Sec. 30.1. (a) ~~Two-thirds (2/3)~~ **Sixty-eight percent (68%)** of the money in the cigarette tax fund is annually appropriated to the cities and towns of this state and to certain local governmental entities.

(b) The amount which is allocated to each city or town under this section equals the product of:

(1) the total amount appropriated under subsection (a); multiplied by

(2) a fraction, the numerator of which is the population of the city or town, and the denominator of which is the total population of all the cities and towns of Indiana.

(c) The auditor of state shall calculate and distribute the amount allocated to each city or town under this section on or before June 1 and December 1 of each year. To make these semiannual distributions, the auditor of state shall issue warrants drawn on the cigarette tax fund to the officials designated in subsection (d) or (e).

(d) For a consolidated city, or a city or town which is located in the same county as the consolidated city, the auditor of state shall issue a warrant for:

(1) three-fourteenths (3/14) of the money allocated to the city or town under subsection (b) to the fiscal officer of the city or town; and

(2) the remaining eleven-fourteenths (11/14) of the money to the treasurer of that county.

The fiscal officer of the city or town shall deposit the money distributed to him under this subsection in the city's or town's general fund. The county treasurer shall annually deposit three hundred fifty thousand dollars ($350,000) which he receives under this subsection in the capital improvement bond fund of the county. The remainder of the money which the county treasurer receives under this subsection is appropriated to the department of transportation of the consolidated city. The county treasurer shall serve as custodian of the money so appropriated to the department.

(e) For a city or town which is not located in the same county as a consolidated city, the auditor of state shall issue a warrant for the total amount allocated to the city or town under subsection (b) to the fiscal officer of the city or town. The fiscal officer shall deposit three-fourteenths (3/14) of the money in the city's or town's general fund, and he shall deposit the remaining eleven-fourteenths (11/14) of the money in the city's or town's cumulative capital improvement fund.

SECTION 225. IC 6-7-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. A tax is imposed on the distribution of tobacco products in Indiana at the rate of ~~fifteen~~ **twenty-five** percent ~~(15%)~~ **(25%)** of the wholesale price of the tobacco products. The distributor of the tobacco products is liable for the tax. The tax is imposed at the time the distributor:

(1) brings or causes tobacco products to be brought into Indiana for distribution;

(2) manufactures tobacco products in Indiana for distribution; or

(3) transports tobacco products to retail dealers in Indiana for resale by those retail dealers.

SECTION 226. IC 6-7-2-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 13. A distributor that files a complete return and pays the tax due within the time specified in section 12 of this chapter is entitled to deduct and retain from the tax a collection allowance of ~~one percent (1%)~~ **six one-thousandths (0.006)** of the amount due. If a distributor files an incomplete report, the department may reduce the collection allowance by an amount that does not exceed the lesser of:

(1) ten percent (10%) of the collection allowance; or

(2) fifty dollars ($50).

SECTION 227. IC 6-7-2-21.1 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 21.1. (a) A distributor who:**

(1) holds a license under IC 4-31, IC 4-33, or IC 6-7; and

(2) purchases tobacco products to resell;

bears the burden of proof that the tobacco products tax imposed by

this chapter was paid on all tobacco products purchased to resell.

(b) A distributor described in subsection (a) who knowingly or intentionally fails to pay the tax imposed by this chapter commits a Class D felony.

SECTION 228. IC 6-8.1-1-1, AS AMENDED BY P.L.151-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. "Listed taxes" or "taxes" includes only **the pari-mutuel pull tab wagering tax (IC 4-31-7.6-3);** the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12) **(repealed)**; the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1); **the business supplemental tax (IC 6-2.2);** the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) **(repealed);** the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); ~~the bank tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the production credit association tax (IC 6-5-12);~~ the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 229. IC 6-8.1-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. "Income tax" includes the gross income tax (IC 6-2.1), the adjusted gross income tax (IC 6-3), ~~the supplemental net income tax (IC 6-3-8),~~ the county adjusted gross income tax (IC 6-3.5-1.1), and the county option income tax (IC 6-3.5-6).

SECTION 230. IC 6-8.1-4-1.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1.6. Subject to the discretion of the commissioner as set forth in section 1 of this chapter, the commissioner shall establish within the department a special tax division. The division shall do the following:

(1) Administer and enforce the following:

~~(A) Bank tax (IC 6-5-10).~~

~~(B) Savings and loan association tax (IC 6-5-11).~~

~~(C) Production credit association tax (IC 6-5-12).~~

~~(D)~~ **(A)** Gasoline tax (IC 6-6-1.1).

~~(E)~~ **(B)** Special fuel tax (IC 6-6-2.5).

~~(F)~~ **(C)** Motor carrier fuel tax (IC 6-6-4.1).

~~(G)~~ **(D)** Hazardous waste disposal tax (IC 6-6-6.6).

~~(H)~~ **(E)** Cigarette tax (IC 6-7-1).

~~(I)~~ **(F)** Tobacco products tax (IC 6-7-2).

~~(J)~~ **(G)** Alcoholic beverage tax (IC 7.1-4).

~~(K)~~ **(H)** Petroleum severance tax (IC 6-8-1).

~~(L)~~ **(I)** Any other tax the commissioner designates.

(2) Upon the commissioner's request, conduct studies of the department's operations and recommend whatever changes seem advisable.

(3) Annually audit a statistical sampling of the returns filed for the taxes administered by the division.

(4) Annually audit a statistical sampling of registrants with the bureau of motor vehicles, international registration plan division.

(5) Review federal tax returns and other data that may be helpful in performing the division's function.

(6) Furnish, at the commissioner's request, information that the commissioner requires.

(7) Conduct audits requested by the commissioner or the commissioner's designee.

(8) Administer the statutes providing for motor carrier regulation (IC 8-2.1).

SECTION 231. IC 6-8.1-5-2, AS AMENDED BY P.L.181-1999, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) Except as otherwise provided in this section, the department may not issue a proposed assessment under section 1 of this chapter more than three (3) years after the latest of the date the return is filed, or any of the following:

(1) the due date of the return; or

(2) in the case of a return filed for the state gross retail or use tax,

the gasoline tax, the special fuel tax, the motor carrier fuel tax, the oil inspection fee, or the petroleum severance tax, the end of the calendar year which contains the taxable period for which the return is filed.

(b) If a person files an adjusted gross income tax (IC 6-3), supplemental net income tax (IC 6-3-8) **(repealed),** county adjusted gross income tax (IC 6-3.5-1.1), county option income tax (IC 6-3.5-6), or financial institutions tax (IC 6-5.5) return that understates the person's income, as that term is defined in the particular income tax law, by at least twenty-five percent (25%), the proposed assessment limitation is six (6) years instead of the three (3) years provided in subsection (a).

(c) In the case of the motor vehicle excise tax (IC 6-6-5), the tax shall be assessed as provided in IC 6-6-5-5 and IC 6-6-5-6 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5 is considered to have failed to file a return for purposes of this article.

(d) In the case of the commercial vehicle excise tax imposed under IC 6-6-5.5, the tax shall be assessed as provided in IC 6-6-5.5 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a commercial vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5.5 is considered to have failed to file a return for purposes of this article.

(e) If a person files a fraudulent, unsigned, or substantially blank return, or if a person does not file a return, there is no time limit within which the department must issue its proposed assessment.

(f) If, before the end of the time within which the department may make an assessment, the department and the person agree to extend that assessment time period, the period may be extended according to the terms of a written agreement signed by both the department and the person. The agreement must contain:

(1) the date to which the extension is made; and

(2) a statement that the person agrees to preserve the person's records until the extension terminates.

The department and a person may agree to more than one (1) extension under this subsection.

(g) If a taxpayer's federal income tax liability for a taxable year is modified due to the assessment of a federal deficiency or the filing of an amended federal income tax return, then the date by which the department must issue a proposed assessment under section 1 of this chapter for tax imposed under IC 6-3 is extended to six (6) months after the date on which the notice of modification is filed with the department by the taxpayer.

SECTION 232. IC 8-1-2.8-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. If the InTRAC meets the requirements of sections 18 and 21 of this chapter, the InTRAC:

(1) for purposes of all taxes imposed by the state or any county or municipality in Indiana is an organization that is organized and operated exclusively for charitable purposes; and

(2) qualifies for all exemptions applicable to those organizations, including but not limited to those exemptions set forth in ~~IC 6-2.1-3-20~~ **IC 6-2.5-5-21(b)(1)(B)** and IC 6-1.1-10-16.

SECTION 233. IC 8-14-1-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. The money collected for the motor vehicle highway account fund and remaining after refunds and the payment of all expenses incurred in the collection thereof, and after the deduction of the amount appropriated to the department for traffic safety and after the deduction of ~~one-half (1/2) of~~ the **total** amount appropriated for the state police department, shall be allocated to and distributed among the department and subdivisions designated as follows:

(1) Of the net amount in the motor vehicle highway account the auditor of state shall set aside for the cities and towns of the state fifteen percent (15%) thereof. This sum shall be allocated to the cities and towns upon the basis that the population of each city and town bears to the total population of all the cities and towns and shall be used for the construction or reconstruction and maintenance of streets and alleys and shall be annually budgeted as now provided by law. However, no part of ~~such~~ **the** sum ~~shall~~ **may** be used for any other purpose than for the purposes defined in this chapter. If ~~any~~ funds allocated to ~~any~~ **a** city or town ~~shall be~~ **are** used by ~~any~~ **an** officer or officers of ~~such~~ **the** city or town for any purpose or purposes other than for the purposes as defined in this chapter, ~~such~~ **the** officer or officers shall be liable upon their official bonds to ~~such~~ **the** city or town in ~~such~~ **the** amount so used for other purposes than for the purposes as defined in this chapter, together with the costs of ~~said~~ **the** action and reasonable attorney fees, recoverable in an action or suit instituted in the name of the state of Indiana on the relation of any taxpayer or taxpayers resident of such city or town. A monthly distribution thereof of funds accumulated during the preceding month shall be made by the auditor of state.

(2) Of the net amount in the motor vehicle highway account, the auditor of state shall set aside for the counties of the state thirty-two percent (32%) thereof. However, as to the allocation to cities and towns under subdivision (1), and as to the allocation to counties under this subdivision in the event that the amount in the motor vehicle highway account ~~fund~~ remaining after refunds and the payment of all expenses incurred in the collection thereof and after deduction of any amount appropriated by the general assembly for public safety and policing shall be less than twenty-two million six hundred and fifty thousand dollars ($22,650,000), in any fiscal year then the amount so set aside in the next calendar year for distributions to counties shall be reduced fifty-four percent (54%) of ~~such~~ **the** deficit and the amount so set aside for distribution in the next calendar year to cities and towns shall be reduced thirteen percent (13%) of ~~such~~ **the** deficit. ~~Such~~ Reduced distributions shall begin with the distribution January 1 of each year.

(3) The amount set aside for the counties of the state under the provisions of subdivision (2) shall be allocated monthly upon the following basis:

(A) Five percent (5%) of the amount allocated to the counties to be divided equally among the ninety-two (92) counties.

(B) Sixty-five percent (65%) of the amount allocated to the counties to be divided on the basis of the ratio of the actual miles, now traveled and in use, of county roads in each county to the total mileage of county roads in the state, which shall be annually determined, accurately, by the department.

(C) Thirty percent (30%) of the amount allocated to the counties to be divided on the basis of the ratio of the motor vehicle registrations of each county to the total motor vehicle registration of the state.

All money so distributed to the several counties of the state shall constitute a special road fund for each of the respective counties and shall be under the exclusive supervision and direction of the board of county commissioners in the construction, reconstruction, maintenance, or repair of the county highways or bridges on ~~such~~ **the** county highways within ~~such~~ **the** county.

(4) Each month the remainder of the net amount in the motor vehicle highway account shall be credited to the state highway fund for the use of the department.

(5) Money in the fund may not be used for any toll road or toll bridge project.

(6) Notwithstanding any other provisions of this section, money in the motor vehicle highway account fund may be appropriated to the Indiana department of transportation from the forty-seven percent (47%) distributed to the political subdivisions of the state to pay the costs incurred by the department in providing services to those subdivisions.

(7) Notwithstanding any other provisions of this section or of IC 8-14-8, for the purpose of maintaining a sufficient working balance in accounts established primarily to facilitate the matching of federal and local money for highway projects, money may be appropriated to the Indiana department of transportation as follows:

(A) One-half (1/2) from the forty-seven percent (47%) set aside under subdivisions (1) and (2) for counties and for those cities and towns with a population greater than five thousand (5,000).

(B) One-half (1/2) from the distressed road fund under IC 8-14-8.

SECTION 234. IC 8-18-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. (a) Except as provided in subsection (c), all expenses incurred in the maintenance of county highways shall be paid out of funds from the gasoline tax, special fuel tax, and the motor vehicle registration fees that are paid to the counties by the state, and from funds derived from the:

(1) county motor vehicle excise surtax;
(2) county wheel tax;
(3) county adjusted gross income tax;
(4) county option income tax; **or**
~~(5) riverboat admission tax (IC 4-33-12); or~~
~~(6)~~ **(5)** riverboat wagering tax (IC 4-33-13).

(b) Except as provided in subsection (c), no ad valorem property tax may be levied by any county for the maintenance of county highways, except in an emergency and by unanimous vote of the county fiscal body.

(c) The county fiscal body may appropriate money from the county general fund to the county highway department to pay for employees' personal services.

SECTION 235. IC 8-22-2-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 18. (a) Subject to the approval of the fiscal body of the eligible entity, the board may contract with any person for construction, extensions, additions, or improvements of an aircraft hangar or revenue producing building or facility located or to be located on the airport of the entity, the cost of which is to be paid in the manner authorized by this section.

(b) A contract made under this section must be authorized by ordinance providing that the principal and interest of bonds issued for the payment of the cost of the construction, extensions, additions, or improvements shall be paid exclusively from the revenues and receipts of the aircraft hangars or revenue producing buildings or facilities, unless otherwise provided by this section.

(c) The fiscal body must, by ordinance, set aside the income and revenues of the buildings or facilities into a separate fund, to be used in the maintenance and operation and in payment of the cost of the construction, extensions, additions, or improvements. The ordinance must fix:

(1) the proportion of the revenues of the buildings or facilities that is necessary for the reasonable and proper operation and maintenance of them; and

(2) the proportion of the revenues that are to be set aside and applied to the payment of the principal and interest of bonds.

The ordinance may provide for the proportion of the revenues that are to be set aside as an adequate depreciation account.

(d) Whenever the board determines that there exists a surplus in funds derived from the net operating receipts of a municipal airport, then the board may recommend to the fiscal body that a designated amount of the surplus fund be appropriated by special or general appropriation to the "aviation revenue bond account" for the relief of principal or interest of bonds issued under this section. However, this surplus in funds may not include monies raised by taxation.

(e) The fiscal body may issue and sell bonds to provide for the payment of costs of the following:

(1) Airport capital improvements, including the acquisition of real property.

(2) Construction or improvement of revenue producing buildings or facilities owned and operated by the eligible entity.

(3) Payment of any loan contract.

The fiscal body may issue and sell bonds bearing interest, payable annually or semiannually, executed in the manner and payable at the times not exceeding forty (40) years from the date of issue and at the places as the fiscal body of the entity determines, which bonds are payable only out of the "aviation revenue bond account" fund. The bonds have in the hands of bona fide holders all the qualities of negotiable instruments under law.

(f) In case any of the officers whose signatures or countersignatures appear on the bonds or the coupons ceases to be the officer before the delivery of the bonds to the purchaser, the signature or countersignatures are nevertheless valid and sufficient for all purposes, the same as if he had remained in office until the delivery of the bonds. The bonds and their interest issued against an "aviation revenue bond account" fund and the fixed proportion or amount of the revenues pledged to the fund does not constitute an indebtedness of the entity under the Constitution of Indiana.

(g) Each bond must state plainly upon its face that it is payable only from the special fund, naming the fund and the ordinance creating it, and that it does not constitute an indebtedness of the entity under the Constitution of Indiana. The bonds may be issued either as registered bonds or as bonds payable to bearer. Coupons and bearer bonds may be registered as to principal in the holder's name on the books of the entity, the registration being noted on the bond by the clerk or other designated officer, after which no transfer is valid unless made on the books of the entity by the registered holder and similarly noted on the bonds. Bonds so registered as to principal may be discharged from the registration by being transferred to bearer, after which it is transferable by delivery but may be registered again as to principal. The registration of the bonds as to the principal does not restrain the negotiability of the coupon by delivery, but the coupons may be surrendered and the interest made payable only to the registered holder of the bonds. If the coupons are surrendered, the surrender and cancellation of them shall be noted on the bond and then interest on the bond is payable to the registered holder or order in cash or at his option by check or draft payable at the place or one (1) of the places where the coupons are payable.

(h) The bonds shall be sold in a manner and upon terms that the fiscal body considers in the best interest of the entity.

(i) All bonds issued by an eligible entity under this section are exempt from taxation for all purposes, except that the interest is subject to **the adjusted** gross income tax.

(j) In fixing the proportion of the revenues of the building or facility required for operation and maintenance, the fiscal body shall consider the cost of operation and maintenance of the building or facility and may not set aside into the special fund a greater amount or proportion of the revenues and proceeds than are required for the operation and maintenance. The sums set aside for operation and maintenance shall be used exclusively for that purpose, until the accumulation of a surplus results.

(k) The proportion set aside to the depreciation fund, if a depreciation account or fund is provided for under this section, shall be expended in remedying depreciation in the building or facility or in new construction, extensions, additions, or improvements to the property. Accumulations of the depreciation fund may be invested, and the income from the investment goes into the depreciation fund. The fund, and the proceeds of it, may not be used for any other purpose.

(l) The fixed proportion that is set aside for the payment of the principal and interest of the bonds shall, from month to month, as it is accrued and received, be set apart and paid into a special account in the treasury of the eligible entity, to be identified "aviation revenue bond account," the title of the account to be specified by ordinance. In fixing the amount or proportion to be set aside for the payment of the principal and interest of the bonds, the fiscal body may provide that the amount to be set aside and paid into the aviation revenue bond account for any year or years may not exceed a fixed sum, which sum must be at least sufficient to provide for the payment of the interest and principal of the bonds maturing and becoming payable in each year, together with a surplus or margin of ten percent (10%).

(m) If a surplus is accumulated in the operating and maintenance fund that is equal to the cost of maintaining and operating the building or facility for the twelve (12) following calendar months, the excess over the surplus may be transferred by the fiscal body to either the depreciation account to be used for improvements, extensions, or additions to property or to the aviation revenue bond account fund, as the fiscal body designates.

(n) If a surplus is created in the aviation revenue bond account in excess of the interest and principal of bonds, plus ten percent (10%), becoming payable during the calendar, operating, or fiscal year then current, together with the amount of interest or principal of bonds becoming due and payable during the next calendar, operating, or fiscal year, the fiscal body may transfer the excess over the surplus to either the operating and maintenance account, or to the depreciation account, as the fiscal body designates.

(o) All money received from bonds issued under this section shall be applied solely for the purposes listed in subsection (e). There is created a statutory mortgage lien upon buildings or facilities for which bonds are issued in favor of the holders of the bonds and of the coupons of the bonds. The buildings or facilities so constructed, extended, or improved remain subject to the statutory mortgage lien until payment in full of the principal and interest of the bonds.

(p) A holder of the bonds or of the attached coupons may enforce the statutory mortgage lien conferred by this section, and may enforce performance of all duties required by this section of the eligible entity issuing the bond or of any officer of the entity, including:

(1) the making and collecting of reasonable and sufficient rates or rentals for the use or lease of the buildings or facilities, or part of them established for the rent, lease, or use of the buildings or facilities;

(2) the segregation of the revenues from the buildings or facilities; and

(3) the application of the respective funds created by this section.

(q) If there is a default in the payment of the principal or interest of any of the bonds, a court having jurisdiction of the action may appoint an administrator or receiver to administer, manage, or operate the buildings or facilities on behalf of the entity, and the bondholders, with power to:

(1) charge and collect rates or rentals for the use or lease of the buildings or facilities sufficient to provide for the payment of the operating expenses;

(2) pay any bonds or obligations outstanding against the buildings or facilities; and

(3) apply the income and revenues thereof in accord with this section and the ordinance.

SECTION 236. IC 8-22-3.5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except in a county described in section 1(5) of this chapter, if the commission adopts the provisions of this section by resolution, each taxpayer in the airport development zone is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the airport development zone:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~twenty percent (20%) of~~ the county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:
(A) the STEP TWO quotient; by
(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to the special funds under section 9 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated and paid into the special funds under section 9 of this chapter.

(b) The additional credit under subsection (a) shall be:
(1) computed on an aggregate basis of all taxpayers in a taxing district that contains all or part of an airport development zone; and
(2) combined on the tax statement sent to each taxpayer.

(c) Concurrently with the mailing or other delivery of the tax statement or any corrected tax statement to each taxpayer, as required by IC 6-1.1-22-8(a), each county treasurer shall for each tax statement also deliver to each taxpayer in an airport development zone who is entitled to the additional credit under subsection (a) a notice of additional credit. The actual dollar amount of the credit, the taxpayer's name and address, and the tax statement to which the credit applies shall be stated on the notice.

SECTION 237. IC 8-22-3.5-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) As used in this section, "state income tax liability" means a tax liability that is incurred under:
(1) IC 6-2.1 (the gross income tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **or**
~~(3) IC 6-3-8 (the supplemental net income tax); or~~
~~(4)~~ **(3)** any other tax imposed by this state and based on or measured by either gross income or net income.

(b) The attraction of qualified airport development projects to a consolidated city within Indiana is a governmental function of general public benefit for all the citizens of Indiana.

(c) As an incentive to attract qualified airport development projects to Indiana, for a period of thirty-five (35) years, beginning January 1, 1991, persons that locate and operate a qualified airport development project in an airport development zone in a consolidated city shall not incur, notwithstanding any other law, any state income tax liability as a result of:
(1) activities associated with locating the qualified airport development project in the consolidated city;

(2) the construction or completion of the qualified airport development project;

(3) the employment of personnel or the ownership or rental of property at or in conjunction with the qualified airport development project; or

(4) the operation of, or the activities at or in connection with, the qualified airport development project.

(d) The department of state revenue shall adopt rules under IC 4-22-2 to implement this section.

SECTION 238. IC 8-23-17-32 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 32. (a) All amounts paid to displaced persons under this chapter are exempt from taxation under ~~IC 6-2.1 and~~ IC 6-3.

(b) A payment received under this chapter is not considered as income for the purpose of determining the eligibility or extent of eligibility of any person for public assistance under the following:

AFDC assistance.
AFDC burials.
AFDC IMPACT/J.O.B.S.
AFDC-UP assistance.
ARCH.
Blind relief.
Child care.
Child welfare adoption assistance.
Child welfare adoption opportunities.
Child welfare assistance.
Child welfare child care improvement.
Child welfare child abuse.
Child welfare child abuse and neglect prevention.
Child welfare children's victim advocacy program.
Child welfare foster care assistance.
Child welfare independent living.
Child welfare medical assistance to wards.
Child welfare program review action group (PRAG).
Child welfare special needs adoption.
Food Stamp administration.
Health care for indigent (HIC).
ICES.
IMPACT (food stamps).
Title IV-D (ICETS).
Title IV-D child support administration.
Title IV-D child support enforcement (parent locator).

Medicaid assistance.
Medical services for inmates and patients (590).
Room and board assistance (RBA).
Refugee social service.
Refugee resettlement.
Repatriated citizens.
SSI burials and disabled examinations.
Title XIX certification.
Any other Indiana law administered by the division of family and children.

SECTION 239. IC 9-29-11-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) The main department, office, agency, or other person under whose supervision a law enforcement officer carries on the law enforcement officer's duties may charge a fee that is fixed by:

(1) rule of the state police department, if the department supplying a copy of the accident report is the state police department; or

(2) ordinance of the fiscal body **in all other cases;**

in an amount not less than three dollars ($3) for each report.

(b) The fee collected under subsection (a) shall be deposited in the following manner:

(1) If the department supplying a copy of the accident report is the state police department, in a separate account known as the "accident report account". The account may be expended at the discretion of the state police superintendent for a purpose reasonably related to the keeping of accident reports and records or the prevention of street and highway accidents.

(2) If the department supplying a copy of the accident report is the sheriff, county police, or county coroner, in a separate account known as the "accident report account". The account may be expended at the discretion of the chief administrative officer of the entity that charged the fee for any purpose reasonably related to the keeping of accident reports and records or the prevention of street and highway accidents.

(3) If the department supplying a copy of the accident report is a city or town police department, in the local law enforcement continuing education fund established by IC 5-2-8-2.

SECTION 240. IC 12-7-2-20.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 20.8. "Bed", for purposes of IC 12-15-14.5, has the meaning set forth in IC 12-15-14.5-1.**

SECTION 241. IC 12-7-2-52.2, AS AMENDED BY P.L.283-2001, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 52.2. ~~(a)~~ "Crowd out", for purposes of IC 12-17.6, has the meaning set forth in IC 12-17.6-1-2.

~~(b) "Crowd out", for purposes of IC 12-17.7, has the meaning set forth in IC 12-17.7-1-3.~~

SECTION 242. IC 12-7-2-70 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 70. "Domestic violence prevention and treatment center", for purposes of IC 12-18-3 and IC 12-18-4, means an organized entity:

(1) established by:

(A) a city, town, county, or township; or

(B) an entity exempted from the ~~Indiana~~ gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20;~~ **IC 6-2.5-5-21(b)(1)(B);** and

(2) created to provide services to prevent and treat domestic violence between spouses or former spouses.

SECTION 243. IC 12-7-2-76, AS AMENDED BY P.L.120-2002, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 76. (a) "Eligible individual", for purposes of IC 12-10-10, has the meaning set forth in IC 12-10-10-4.

(b) "Eligible individual" has the meaning set forth in IC 12-14-18-1.5 for purposes of the following:

(1) IC 12-10-6.

(2) IC 12-14-2.

(3) IC 12-14-18.

(4) IC 12-14-19.

(5) IC 12-15-2.

(6) IC 12-15-3.

(7) IC 12-16-3.5.

(8) ~~IC 12-16.1-3.~~

~~(9)~~ IC 12-17-1.

~~(10)~~ **(9)** IC 12-20-5.5.

SECTION 244. IC 12-7-2-76.5, AS AMENDED BY P.L.283-2001, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 76.5. (a) "Emergency", for purposes of IC 12-20, means an unpredictable circumstance or a series of unpredictable circumstances that:

(1) place the health or safety of a household or a member of a household in jeopardy; and

(2) cannot be remedied in a timely manner by means other than township assistance.

(b) "Emergency", for purposes of IC 12-17.6, has the meaning set forth in IC 12-17.6-1-2.6.

~~(c) "Emergency", for purposes of IC 12-17.7, has the meaning set forth in IC 12-17.7-1-4.~~

SECTION 245. IC 12-7-2-103 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 103. "Health facility" means the following:

(1) For purposes of IC 12-10-5.5, the meaning set forth in IC 12-10-5.5-2.

(2) For purposes of IC 12-10-12, the meaning set forth in IC 12-10-12-3.

(3) For purposes of IC 12-15-14.5, the meaning set forth in IC 12-15-14.5-2.

SECTION 246. IC 12-7-2-104.5, AS AMENDED BY P.L.120-2002, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 104.5. "Holocaust victim's settlement payment" has the meaning set forth in IC 12-14-18-1.7 for purposes of the following:

(1) IC 12-10-6.
(2) IC 12-14-2.
(3) IC 12-14-18.
(4) IC 12-14-19.
(5) IC 12-15-2.
(6) IC 12-15-3.
(7) IC 12-16-3.5.
(8) ~~IC 12-16.1-3.~~
~~(9)~~ IC 12-17-1.
~~(10)~~ **(9)** IC 12-20-5.5.

SECTION 247. IC 12-7-2-110, AS AMENDED BY P.L.120-2002, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 110. "Hospital" means the following:

(1) For purposes of IC 12-15-11.5, the meaning set forth in IC 12-15-11.5-1.

(2) For purposes of IC 12-15-18, the meaning set forth in IC 12-15-18-2.

(3) For purposes of IC 12-16, except IC 12-16-1, ~~and for purposes of IC 12-16.1,~~ the term refers to a hospital licensed under IC 16-21.

SECTION 248. IC 12-7-2-134, AS AMENDED BY P.L.283-2001, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 134. "Office" means the following:

(1) Except as provided in subdivisions (2) and (3), the office of Medicaid policy and planning established by IC 12-8-6-1.

(2) For purposes of IC 12-10-13, the meaning set forth in IC 12-10-13-4.

(3) For purposes of IC 12-17.6, the meaning set forth in IC 12-17.6-1-4.

~~(4) For purposes of IC 12-17.7, the meaning set forth in IC 12-17.7-1-5.~~

SECTION 249. IC 12-7-2-146, AS AMENDED BY P.L.283-2001, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 146. "Program" refers to the following:

(1) For purposes of IC 12-10-7, the adult guardianship services program established by IC 12-10-7-5.

(2) For purposes of IC 12-10-10, the meaning set forth in IC 12-10-10-5.

(3) For purposes of IC 12-17.6, the meaning set forth in IC 12-17.6-1-5.

~~(4) For purposes of IC 12-17.7, the meaning set forth in IC 12-17.7-1-6.~~

SECTION 250. IC 12-7-2-149, AS AMENDED BY P.L.283-2001, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 149. "Provider" means the following:

(1) For purposes of IC 12-10-7, the meaning set forth in IC 12-10-7-3.

(2) For purposes of the following statutes, an individual, a partnership, a corporation, or a governmental entity that is enrolled in the Medicaid program under rules adopted under IC 4-22-2 by the office of Medicaid policy and planning:

(A) IC 12-14-1 through IC 12-14-9.5.

(B) IC 12-15, except IC 12-15-32, IC 12-15-33, and IC 12-15-34.

(C) IC 12-17-10.

(D) IC 12-17-11.

(E) IC 12-17.6.

~~(F) IC 12-17.7.~~

(3) For purposes of IC 12-17-9, the meaning set forth in IC 12-17-9-2.

(4) For the purposes of IC 12-17.2, a person who operates a child care center or child care home under IC 12-17.2.

(5) For purposes of IC 12-17.4, a person who operates a child caring institution, foster family home, group home, or child placing agency under IC 12-17.4.

SECTION 251. IC 12-7-2-164, AS AMENDED BY P.L.120-2002, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

JULY 1, 2003]: Sec. 164. "Resident" has the following meaning:

(1) For purposes of IC 12-10-15, the meaning set forth in IC 12-10-15-5.

(2) For purposes of IC 12-16, except IC 12-16-1, ~~and for purposes of IC 12-16.1,~~ an individual who has actually resided in Indiana for at least ninety (90) days.

(3) For purposes of IC 12-20-8, the meaning set forth in IC 12-20-8-1.

(4) For purposes of IC 12-24-5, the meaning set forth in IC 12-24-5-1.

SECTION 252. IC 12-7-2-178.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 178.6. "Site of care study", for purposes of IC 12-15.5, has the meaning set forth in IC 12-15.5-3-1.**

SECTION 253. IC 12-15-10-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 7. (a) The office may require a recipient to select one (1) pharmacy in which the recipient may fill a prescription covered under Medicaid.**

(b) Except as provided under subsection (c), prescription coverage under Medicaid applies only if a recipient required to select a pharmacy under subsection (a) fills the prescription at the pharmacy selected.

(c) A recipient required to select a pharmacy under subsection (a) may obtain not more than a seventy-two (72) hour supply of a prescription drug in an emergency situation or on a weekend at a pharmacy other than the pharmacy selected.

SECTION 254. IC 12-15-12-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. (a) A Medicaid recipient who has selected or been assigned a managed care provider under this chapter may not select a new managed care provider ~~for twelve (12) months after the managed care provider was selected or assigned.~~ **except as allowed under the waiver obtained under section 11 of this chapter.**

(b) The office may make an exception to the requirement under subsection (a) if the office determines that circumstances warrant a change **and the change is permitted under the waiver obtained under section 11 of this chapter.**

SECTION 255. IC 12-15-14.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 14.5. Health Facility Fee

Sec. 1. As used in this chapter, "bed" refers to a patient bed in a health facility.

Sec. 2. As used in this chapter, "health facility" means a health facility licensed as a comprehensive care facility under IC 16-28.

Sec. 3. Beginning August 1, 2002, the office shall assess a health facility fee of two dollars ($2) per day for each bed in a health facility.

Sec. 4. (a) The office may determine the manner of payment of the fee collected under section 3 of this chapter.

(b) A health facility shall pay the fee required under section 3 of this chapter to the office not more than thirty (30) days after receiving notice that the payment is due.

(c) If a health facility does not comply with subsection (b), the office may do the following:

(1) Deduct the amount of the fee from the health facility's Medicaid reimbursement.

(2) If a health facility does not participate in Medicaid, charge the health facility interest on the fee at an annual interest rate determined by the office.

(3) Impose any other penalty that the office determines is appropriate.

Sec. 5. If federal financial participation funds to match the fees collected under section 3 of this chapter become unavailable under federal law, the office's authority to assess a fee under this chapter terminates on the date the federal statute, federal regulation, or federal interpretative change that ceases the federal participation funds takes effect.

Sec. 6. The office shall adopt rules under IC 4-22-2 to carry out this chapter.

Sec. 7. This chapter expires August 1, 2004.

SECTION 256. IC 12-15-15-9, AS AMENDED BY P.L.1-2002, SECTION 52, AND AS AMENDED BY P.L.120-2002, SECTION 15, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) ~~Subject to subsections (e), (f), (g), and (h),~~ For each state fiscal year ending June 30, 1998, June 30, 1999, June 30, 2000, June 30, 2001, ~~*and*~~ June 30, 2002, *June 30, 2003, and June 30, 2004,* a hospital is entitled to a payment under this section.

(b) ~~Subject to subsections (e), (f), (g), and (h),~~ Total payments to hospitals under this section for a state fiscal year shall be equal to all amounts transferred from the state hospital care for the indigent fund established under IC 12-16 ~~or IC 12-16.1~~ for Medicaid current obligations during the state fiscal year, including amounts of the fund appropriated for Medicaid current obligations.

(c) The payment due to a hospital under this section must be based on a policy developed by the office. The policy:

(1) is not required to provide for equal payments to all hospitals; **and**

(2) ~~must attempt, to the extent practicable as determined by the office, to establish a payment rate that minimizes the difference between the aggregate amount paid under this section to all hospitals in a county for a state fiscal year and the amount of the county's hospital care for the indigent property tax levy for that state fiscal year; and~~

~~(3)~~ must provide that no hospital will receive a payment under this section less than the amount the hospital received under ~~*IC 12-15-15-8*~~ *section 8 of this chapter* for the state fiscal year ending June 30, 1997.

(d) Following the transfer of funds under subsection (b), an amount equal to the amount determined in the following STEPS shall be deposited in the Medicaid indigent care trust fund under IC 12-15-20-2(2) and used to fund a portion of the state's share of the disproportionate share payments to providers for the state fiscal year:

STEP ONE: Determine the difference between:

(A) the amount transferred from the state hospital care for the indigent fund under subsection (b); and

(B) thirty-five million dollars ($35,000,000).

STEP TWO: Multiply the amount determined under STEP ONE by the federal medical assistance percentage for the state fiscal year.

~~(e) If funds are transferred under IC 12-16-14.1-2(e), those funds must be used for the state's share of funding for payments to hospitals under this subsection. A payment under this subsection shall be made to all hospitals that received a payment under this section for the state fiscal year beginning July 1,~~ ~~*2001, 2003,*~~ ~~and ending June 30,~~ ~~*2002. 2004.*~~ ~~Payments under this subsection shall be in proportion to each hospital's payment under this section for the state fiscal year beginning July 1,~~ ~~*2001, 2003,*~~ ~~and ending June 30,~~ ~~*2002. 2004.*~~

~~(f) If the office does not implement an uninsured parents program as provided for in IC 12-17.7 before July 1,~~ ~~*2003, 2005,*~~ ~~and funds are transferred under IC 12-16-14.1-3, a hospital is entitled to a payment under this section for the state fiscal year beginning on July 1,~~ ~~*2002. 2004.*~~ ~~Payments under this subsection shall be made after July 1,~~ ~~*2003, 2005,*~~ ~~but before December 31,~~ ~~*2003. 2005.*~~

~~(g) If the office does not implement an uninsured parents program as provided for in IC 12-17.7 before July 1, *2003*, *2005*, a hospital is entitled to a payment under this section for state fiscal years ending after June 30, *2003*. *2005*.~~

~~(h) If funds are transferred under IC 12-17.7-9-2, those funds shall be used for the state's share of payments to hospitals under this subsection. A payment under this subsection shall be made to all hospitals that received a payment under this section for the state fiscal year beginning July 1, *2001*, *2003*, and ending June 30, *2002*. *2004*. Payments under this subsection shall be in proportion to each hospital's payment under this section for the state fiscal year beginning July 1, *2001*, *2003*, and ending June 30, *2002*. *2004*.~~

SECTION 257. IC 12-15-20-2, AS AMENDED BY P.L.120-2002, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000 (RETROACTIVE)]: Sec. 2. The Medicaid indigent care trust fund is established to pay the state's share of the following:

(1) Enhanced disproportionate share payments to providers under IC 12-15-19-1.

(2) Subject to subdivision (5), disproportionate share payments to providers under IC 12-15-19-2.1.

(3) Medicaid payments for pregnant women described in IC 12-15-2-13 and infants and children described in IC 12-15-2-14.

(4) Municipal disproportionate share payments to providers under IC 12-15-19-8.

(5) Of the intergovernmental transfers deposited into the Medicaid indigent care trust fund, the following apply:

(A) The entirety of the intergovernmental transfers deposited into the Medicaid indigent care trust fund for state fiscal years ending on or before June 30, 2000, shall be used to fund the state's share of the disproportionate share payments to providers under IC 12-15-19-2.1.

(B) Of the intergovernmental transfers deposited into the Medicaid indigent care trust fund for the state fiscal year ending June 30, 2001, an amount equal to one hundred percent (100%) of the total intergovernmental transfers deposited into the Medicaid indigent care trust fund for the state fiscal year beginning July 1, 1998, and ending June 30, 1999, shall be used to fund the state's share of disproportionate share payments to providers under IC 12-15-19-2.1. The remainder of the intergovernmental transfers, if any, for the state fiscal year shall be used to fund the state's share of additional

Medicaid payments to hospitals licensed under IC 16-21 pursuant to a methodology adopted by the office.

(C) Of the intergovernmental transfers deposited into the Medicaid indigent care trust fund, for state fiscal years beginning July 1, 2001, July 1, 2002, and July 1, 2003, an amount equal to

~~(i)~~ one hundred percent (100%) of the total intergovernmental transfers deposited into the Medicaid indigent care trust fund for the state fiscal year beginning July 1, 1998, minus

(ii) an amount equal to the amount deposited into the Medicaid indigent care trust fund under IC 12-15-15-9(d) for the state fiscal years beginning July 1, 2001, July 1, 2002, and July 1, 2003;

shall be used to fund the state's share of disproportionate share payments to providers under IC 12-15-19-2.1. The remainder of the intergovernmental transfers, if any, must be used to fund the state's share of additional Medicaid payments to hospitals licensed under IC 16-21 pursuant to a methodology adopted by the office.

(D) Of the intergovernmental transfers deposited into the Medicaid indigent care trust fund for state fiscal years ending after June 30, 2004, an amount equal to

~~(i)~~ one hundred percent (100%) of the total intergovernmental transfers deposited into the Medicaid indigent care trust fund for the state fiscal year beginning July 1, 1998, and ending June 30, 1999; minus

(ii) an amount equal to the amount deposited into the Medicaid indigent care trust fund under IC 12-15-15-9(d) for the state fiscal year ending June 30, 2004;

shall be used to fund the state's share of disproportionate share payments to providers under IC 12-15-19-2.1. ~~The remainder of the intergovernmental transfers, if any, for the state fiscal years shall be transferred to the state uninsured parents program fund established under IC 12-17.8-2-1 to fund the state's share of funding for the uninsured parents program established under IC 12-17.7.~~

~~(E) If the office does not implement an uninsured parents program as provided for in IC 12-17.7 before July 1, 2005, the intergovernmental transfers transferred to the state uninsured parents program fund under clause (B) shall be returned to the Medicaid indigent care trust fund to be used to fund the state's~~

~~share of Medicaid add-on payments to hospitals licensed under IC 16-21 under a payment methodology which shall be developed by the office.~~

~~(F) If funds are transferred under IC 12-17.7-9-2 or IC 12-17.8-2-4(d) to the Medicaid indigent care trust fund, the funds shall be used to fund the state's share of Medicaid add-on payments to hospitals licensed under IC 16-21 under a payment methodology which the office shall develop.~~

SECTION 258. IC 12-15.5 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

ARTICLE 15.5. COUNTY SUPPORT FOR HOSPITALS PROGRAM

Chapter 1. Program Administration

Sec. 1. Each county shall fund hospitals as provided in this article.

Sec. 2. This article applies only to a hospital that:

(1) is licensed under IC 16-21; and

(2) received reimbursement under IC 12-15-15-9 for the state fiscal year ending June 30, 2001.

Sec. 3. For purposes of this article:

(1) a hospital is deemed to be located in the county where its main administrative office is located for purposes of its hospital license issued under IC 16-21 for calendar year 2001;

(2) a hospital may not be deemed to be located in more than one (1) county; and

(3) a hospital is not eligible for funding under this article if its main administrative office is located in a county different from the county where its main administrative office was located for purposes of its hospital license issued under IC 16-21 for calendar year 2001.

Chapter 2. Program Funding

Sec. 1. (a) Except as provided in subsection (c), each county shall impose a county support for hospitals program property tax levy in 2003 equal to the product of:

(1) the hospital care for the indigent property tax levy imposed under IC 12-16-14 (repealed) by the county for taxes first due and payable in 2002; multiplied by

(2) the statewide average assessed value growth quotient, using all the county assessed growth quotients determined under IC 6-1.1-18.5-2 for 2003.

(b) Except as provided in subsection (c), each county shall

impose a county support for hospitals program property tax levy in each calendar year that succeeds 2003 equal to the product of:

(1) the county support for hospitals program property tax levy that was imposed by the county for taxes first due and payable in the immediately preceding calendar year; multiplied by

(2) the statewide average assessed value growth quotient, using all the county assessed growth quotients determined under IC 6-1.1-18.5-2 for the calendar year in which the tax levy under this section will be first due and payable.

(c) A county may impose a county support for hospitals program tax levy greater than the levy calculated under subsection (a) or (b).

Sec. 2. (a) The tax required by section 1 of this chapter shall be imposed annually by the county fiscal body on all of the taxable property of the county.

(b) The tax shall be collected as other state and county ad valorem property taxes are collected.

Sec. 3. The department of local government finance shall review each county's property tax levy under this chapter and shall enforce the requirements of this chapter with respect to that levy.

Sec. 4. Each county shall establish a county support for hospitals program fund which consists of the following:

(1) The tax levy imposed under section 1 of this chapter.

(2) The financial institutions tax (IC 6-5.5), motor vehicle excise taxes (IC 6-6-5), and commercial vehicle excise taxes (IC 6-6-5.5) that are allocated to the fund.

(3) The funds, if any, transferred to the county from other counties under IC 12-15.5-3-4.

Sec. 5. (a) The county support for hospitals program fund may not be used for any purpose other than as provided for in this article.

(b) Money in a county's county support for hospitals program fund at the end of the county's fiscal year shall remain in the fund and shall not revert to the county's general fund.

Chapter 3. Distributions To Hospitals

Sec. 1. (a) As used in this chapter, a "site of care study" is the study prepared under subsection (b).

(b) The state department of health shall before July 1, 2003, and before July 1 of each succeeding year prepare a site of care study for each county that has no hospitals eligible for funding under this article located within its boundaries, identifying:

(1) the number of Medicaid eligible residents of the county who obtained hospital care in another county;

(2) each other county in which Medicaid eligible residents of the county obtained hospital care; and

(3) the percentage of the total number of residents under subdivision (1) that received hospital care in a county identified under subdivision (2) that provided hospital care to not less than ten percent (10%) of the transferring county's residents identified in subdivision (1).

(c) The state department of health:

(1) shall base the site of care study on data for the most recent twelve (12) month period for which complete data is available;

(2) shall obtain the data used for the study from the department's data contractor that has access to hospital discharge data submitted directly to the contractor by hospitals;

(3) may use the data only for purposes of preparing the site of care study; and

(4) shall make the site of care study available to counties and hospitals not later than thirty (30) days after the study is prepared.

Sec. 2. For each state fiscal year ending after June 30, 2002, a hospital is entitled to a distribution under this chapter.

Sec. 3. The total distributions to hospitals for a state fiscal year by a county identified in subsection 4(c) or 4(d) equals the total amount of receipts described in IC 12-15.5-2-4 to the county support for hospitals program fund.

Sec. 4. (a) For each state fiscal year, a county that has no hospitals eligible for funding under this article located within its boundaries shall transfer the receipts paid into the county's county support for hospitals program fund during the fiscal year to the counties identified in section 1(b)(2) of this chapter. A county shall make all of the transfers on the same date and not later than thirty (30) days after the end of the state fiscal year for which a distribution to hospitals under this chapter is to be made. Except as provided in subsection (b), the amount transferred to each county equals:

(1) the total receipts described in this subsection; multiplied by

(2) the percentage identified for the county under section 1(b)(3) of this chapter.

(b) A county identified in section 1(b) of this chapter as providing hospital care to less than ten percent (10%) of the transferring county's residents identified in section 1(b)(1) of this chapter is not eligible to receive funds under subsection (a) from a transferring county.

(c) For each state fiscal year, a county that has only one (1) hospital eligible for funding under this article located within its boundaries shall distribute to the hospital:

(1) the total amount of the receipts paid into the county's county support for hospitals program fund during the fiscal year; plus

(2) the total amount of the funds transferred to the county, if any, from other counties under subsection (a).

(d) For each state fiscal year, a county that has more than one (1) hospital eligible for funding under this article located within its boundaries shall distribute to the hospitals:

(1) the total amount of the receipts paid into the county's county support for hospitals program fund during the fiscal year; plus

(2) the total amount of the funds transferred to the county, if any, from other counties under subsection (a);

in proportion to the amount of reimbursement each hospital received under IC 12-15-15-9 for the state fiscal year ending June 30, 2001.

(e) A county shall make a distribution under subsection (c) or (d) not later than sixty (60) days after the end of the state fiscal year for which a distribution to hospitals under this chapter is to be made.

(f) Except as provided in subsection (g), a hospital's distribution under this section may not be less than the amount the hospital received under IC 12-15-15-9 for the state fiscal year ending June 30, 2001.

(g) If the funds available for distribution under this section are not sufficient to permit each hospital to receive a distribution under this section in an amount at least equal to the amount the hospital received under IC 12-15-15-9 for the state fiscal year ending June 30, 2001, each hospital's distribution under this section is reduced proportionately. The funds available for distribution under this section do not include payments available to a hospital under chapter 5 of this article.

Chapter 4. Certification of Funds Distributed to Hospitals

Sec. 1. Not later than two (2) business days after a county makes

distributions under IC 12-15.5-3-4(c) or IC 12-15.5-3-4(d), the county auditor shall certify for the office that the distribution represents expenditures eligible for financial participation under 42 U.S.C. 1396b(w)(6)(A) and 42 CFR 433.51. The office shall:

(1) assist a county in making this certification; and

(2) take the administrative steps necessary for the funds certified under this section to be deemed to be expenditures eligible for federal financial participation under 42 U.S.C. 1396b(w)(6)(A) and 42 CFR 433.51.

Sec. 2. Immediately after the office has received the counties' certifications of their distributions under section 1 of this chapter, the amount determined in STEP TWO of the following STEPS shall be deposited in the Medicaid indigent care trust fund under IC 12-15-20-2(2) and used to fund a portion of the state's share of the disproportionate share payments to providers for the state fiscal year:

STEP ONE: Determine the remainder of:

(A) the total amounts distributed under IC 12-15.5-3-4(c) or IC 12-15.5-3-4(d) for the state fiscal year; minus

(B) thirty-five million dollars ($35,000,000).

STEP TWO: Multiply the remainder determined under STEP ONE by the federal medical assistance percentage for the state fiscal year.

Chapter 5. Maintenance Of Funding Levels For Certain Hospitals

Sec. 1. This chapter applies to hospitals located in:

(1) a county having a population of more than one hundred eighteen thousand (118,000) but less than one hundred twenty thousand (120,000); and

(2) a county containing a consolidated city.

Sec. 2. Subject to section 3 of this chapter, a hospital is entitled to a payment under this chapter in the amount by which the amount calculated under the following STEP FIVE for a state fiscal year exceeds the hospital's distribution for the state fiscal year under IC 12-15.5-3-4(c) or IC 12-15.5-3-4(d):

STEP ONE: Identify the amount of reimbursement the hospital received under IC 12-15-15-9 for state fiscal year ending June 30, 2001.

STEP TWO: Determine the average total assessed value of all taxable property in the state in calendar years 1999, 2000, and 2001.

STEP THREE: Determine the average total assessed value of

all taxable property in the state in the current calendar year and the immediately preceding two (2) calendar years.

STEP FOUR: Divide the amount determined in STEP THREE by the amount determined in STEP TWO.

STEP FIVE: Multiply the amount identified under STEP ONE by the result of STEP FOUR.

Sec. 3. (a) If state share money is made available through certification, intergovernmental transfers, or some other methodology for obtaining federal financial participation for a state fiscal year for which payments are to be made under this chapter, the office shall establish a pool for the payment of hospitals under this chapter.

(b) The funds in the pool shall be paid to eligible hospitals in proportion to each hospital's reimbursement under IC 12-15-15-9 for the state fiscal year ending June 30, 2001.

(c) Payments to the hospitals under this chapter shall be made not later than thirty (30) days after the distributions are made to hospitals under IC 12-15.5-3-4(c) or IC 12-15.5-3-4(d).

SECTION 259. IC 12-16-7.5-4, AS ADDED BY P.L.120-2002, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) Each year the division shall pay two-thirds (2/3) of each claim upon submission and approval of the claim.

(b) If the amount of money in the state hospital care for the indigent fund in a year is insufficient to pay two-thirds (2/3) of each approved claim for patients admitted in that year, the state's and a county's liability to providers under the hospital care for the indigent program for claims approved for patients admitted in that year is limited to the sum of the following:

(1) The amount transferred to the state hospital care for the indigent fund from county hospital care for the indigent funds in that year under IC 12-16-14.

(2) Any contribution to the fund in that year.

(3) Any amount that was appropriated to the state hospital care for the indigent fund for that year by the general assembly.

(4) Any amount that was carried over to the state hospital care for the indigent fund from a preceding year.

(c) This section does not obligate the general assembly to appropriate money to the state hospital care for the indigent fund.

(d) For each state fiscal year, the total amount paid by the division under this article for the hospital care for the indigent program may not exceed two million dollars ($2,000,000).

SECTION 260. IC 12-18-4-7 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7. A

~~(1)~~ city, town, county, or township or

~~(2)~~ an entity that is exempted from the ~~Indiana~~ gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20;~~ **IC 6-2.5-5-21(b)(1)(B)**

that desires to receive a grant under this chapter or enter into a contract with the council must apply in the manner prescribed by the rules of the division.

SECTION 261. IC 12-23-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. The addiction services fund is established for the deposit of excise taxes on alcoholic beverages as described in IC 7.1-4-11 and ~~taxes on~~ riverboat ~~admissions~~ **wagering taxes** under ~~IC 4-33-12-6.~~ **IC 4-33-13-5(a)(2)(B).**

SECTION 262. IC 12-23-2-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. The general assembly shall appropriate money from the addiction services fund solely for the purpose of funding programs:

(1) that provide prevention services and intervention and treatment services for individuals who are psychologically or physiologically dependent upon alcohol or other drugs; and

(2) for the prevention and treatment of gambling problems.

Programs funded by the addiction services fund must include the creation and maintenance of a toll free telephone line under ~~IC 4-33-12-6-(f)(3),~~ **IC 4-33-13-5(d)** to provide the public with information about programs that provide help with gambling, alcohol, and drug addiction problems.

SECTION 263. IC 12-23-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. For each state fiscal year, the division may not spend more than an amount equal to five percent (5%) of the total amount received by the division from the fund established under section 2 of this chapter for the administrative costs associated with the use of money received from the fund. The division shall allocate at least twenty-five percent (25%) of the funds derived from the riverboat ~~admissions~~ **wagering** tax under ~~IC 4-33-12-6~~ **IC 4-33-13-5(a)(2)(B)** to the prevention and treatment of compulsive gambling.

SECTION 264. IC 12-24-1-1, AS AMENDED BY P.L.272-1999, SECTION 44, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. The director of the division of disability, aging, and rehabilitative services has administrative control of and responsibility for the following state institutions:

(1) Fort Wayne State Developmental Center.

(2) Muscatatuck State Developmental Center.

(3) Any other state owned or operated developmental center.

(b) Notwithstanding any other statute or policy, the Muscatatuck state developmental center may not close but shall remain in operation unless the closure is specifically authorized by a statute enacted by the general assembly.

(c) Except as provided in subsection (d), before removing, transferring, or discharging any patient from the Muscatatuck state developmental center, the division of disability, aging, and rehabilitative services shall obtain the express written consent of the patient's guardian or representative of record for the patient's removal, transfer, or discharge.

(d) A patient may be transferred without the written consent required under subsection (c) to an acute care facility licensed under IC 16-21 for the period during which the patient requires medical care or treatment that cannot be provided at the Muscatatuck state developmental center.

SECTION 265. IC 12-24-1-3, AS AMENDED BY P.L.215-2001, SECTION 64, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3. (a) The director of the division of mental health and addiction has administrative control of and responsibility for the following state institutions:

(1) Central State Hospital.

(2) Evansville State Hospital.

(3) Evansville State Psychiatric Treatment Center for Children.

(4) Larue D. Carter Memorial Hospital.

(5) Logansport State Hospital.

(6) Madison State Hospital.

(7) Richmond State Hospital.

(8) Any other state owned or operated mental health institution.

(b) Subject to the approval of the director of the budget agency and the governor, the director of the division of mental health and addiction may contract for the management and clinical operation of Larue D. Carter Memorial Hospital.

(c) The following apply to each institution described in subsection (a) other than Central State Hospital:

(1) Notwithstanding any other statute or policy, the division of mental health and addiction may not do the following after December 31, 2001, unless specifically authorized by a statute enacted by the general assembly:

(A) Terminate, in whole or in part, normal patient care or other operations at a facility.

(B) Reduce the staffing levels and classifications below those in effect at a facility on January 1, 2002.

(C) Terminate the employment of an employee of a facility except for cause in accordance with IC 4-15-2.

(2) The division of mental health and addition shall fill a vacancy created by a termination described in subsection (c)(1)(C) so that the staffing levels at the facility where the termination occurred are not reduced below the staffing levels in effect on January 1, 2002.

(3) Notwithstanding any other statute or policy, the division of mental health and addiction may not remove, transfer, or discharge any patient at a facility unless the removal, transfer, or discharge is in the patient's best interest.

SECTION 266. IC 12-29-2-2, AS AMENDED BY P.L.170-2002, SECTION 84, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 2. (a) Subject to subsection (b), a county shall fund the operation of community mental health centers in an amount not less than the amount that would be raised by an annual tax rate of one and thirty-three hundredths cents ($0.0133) on each one hundred dollars ($100) of taxable property within the county, unless a lower tax rate will be adequate to fulfill the county's financial obligations under this chapter in any of the following situations:

(1) If the total population of the county is served by one (1) center.

(2) If the total population of the county is served by more than one (1) center.

(3) If the partial population of the county is served by one (1) center.

(4) If the partial population of the county is served by more than one (1) center.

(b) This subsection applies only to a property tax that is imposed in a county containing a consolidated city. The tax rate permitted under subsection (a) for taxes first due and payable after calendar year 1995 is the tax rate permitted under subsection (a) as adjusted under this subsection. For each year in which a general reassessment of property will take effect, the department of local government finance shall compute the maximum rate permitted under subsection (a) as follows:

STEP ONE: Determine the maximum rate for the year preceding the year in which the general reassessment takes effect.

STEP TWO: **Subject to subsection (c),** determine the actual percentage increase (rounded to the nearest one-hundredth percent **(0.01%)**) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: **Subject to subsection (c),** compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent **(0.01%)**) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by one (1) plus the STEP SIX percentage increase.

This maximum rate is the maximum rate under this section until a new maximum rate is computed under this subsection for the next year in which a general reassessment of property will take effect.

(c) The assessed value of taxable property to be used in the determination of the actual percentage increase in assessed value:

(1) for 2002 under subsection (b), STEP TWO; and

(2) for 2003 and 2004 under subsection (b), STEP FOUR;

includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 267. IC 13-11-2-35.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 35.5. "Community water system", for purposes of IC 13-16-1, means a public water system that serves at least fifteen (15) service connections used by year-round residents or regularly serves at least twenty-five (25) year-round residents.**

SECTION 268. IC 13-11-2-142.7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 142.7. "Nontransient noncommunity water system", for purposes of IC 13-16-1, means a public water system that is not a community water system that regularly serves the same twenty-five (25) or more persons at least**

six (6) months per year.

SECTION 269. IC 13-11-2-177.3, AS AMENDED BY P.L.184-2002, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 177.3. "Public water system", for purposes of this chapter, **IC 13-16-1,** IC 13-18-11, IC 13-18-21, and other environmental management laws, has the meaning set forth in 42 U.S.C. 300f.

SECTION 270. IC 13-11-2-237.5, AS AMENDED BY P.L.1-2001, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 237.5. "Transient noncommunity water system", for purposes of **IC 13-16-1 and** IC 13-18-11, means a noncommunity water system that does not regularly serve at least twenty-five (25) of the same persons over six (6) months per year.

SECTION 271. IC 13-15-11-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. The environmental management permit operation fund is established for the purpose of providing money for permitting and directly associated activities of the **following programs of the department and boards:**

(1) National Pollutant Discharge Elimination System **program.**

(2) Solid waste **program.** ~~and~~

(3) Hazardous waste **program.**

(4) Public water system program under IC 13-16-1-8.

(5) Stormwater permit program under IC 13-16-1-8.

~~programs of the department and the boards.~~

SECTION 272. IC 13-16-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. **Except as provided in section 12 of this chapter,** a fee established under this chapter shall be deposited in the environmental management special fund under IC 13-14-12 when the fee is collected.

SECTION 273. IC 13-16-1-6, AS AMENDED BY P.L.224-1999, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. Notwithstanding sections 1 through 5 of this chapter or any other law, a board or the department may not do any of the following:

(1) Except as provided in ~~section~~ **sections** 7 **and 8** of this chapter, change a fee established by:

(A) IC 13-18-20;

(B) IC 13-20-21; or

(C) IC 13-22-12.

(2) Establish an additional fee that was not in effect on January 1, 1994, concerning the following:

(A) National Pollutant Discharge Elimination System programs.

(B) Solid waste programs.

(C) Hazardous waste programs.

(3) Require payment of a fee for material used as alternate daily cover pursuant to a permit issued by the department under 329 IAC 10-20-13.

SECTION 274. IC 13-16-1-8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 8. The boards may establish fees for the following:**

(1) Public water system permits. Fees established under this subdivision are subject to the following conditions:

(A) Total annual operating fees from all systems may not exceed two million dollars ($2,000,000).

(B) Total annual fees for all active community water systems may not exceed one million five hundred thousand dollars ($1,500,000).

(C) Total annual fees for all active nontransient noncommunity water systems may not exceed two hundred fifty thousand dollars ($250,000).

(D) Total annual fees for all active transient noncommunity water systems may not exceed two hundred fifty thousand dollars ($250,000).

Fees may not be established under this subdivision for schools that are public water systems.

(2) Stormwater permits from municipal separate storm sewer systems.

(3) NPDES general permits. Fees established under this subdivision are in addition to the NPDES fees established under IC 13-18-20.

A board may change the amount of a fee established under this section if the board determines, based on the factors set forth in section 2 of this chapter, that the fee is not appropriate.

SECTION 275. IC 13-16-1-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 9. Fees established under section 8(1) of this chapter begin accruing January 1 of each year. The department shall assess fees under section 8(1) of this chapter not later than January 15 of each year.**

SECTION 276. IC 13-16-1-10 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 10. (a) In addition to the**

penalties prescribed under:

(1) IC 13-30-4-1;

(2) IC 13-30-4-2; and

(3) IC 13-30-5-1;

if a person does not remit a fee established under section 8(1) of this chapter or an installment of the fee under IC 13-16-2 to the department not later than sixty (60) days after the date the fee is assessed or not later than thirty (30) days after the date the installment is due, the person shall be assessed a delinquency charge equal to ten percent (10%) of the fee or ten percent (10%) of the installment, whichever applies.

(b) A delinquency charge assessed under this section is due and payable not later than sixty (60) days after the date a fee under section 8(1) of this chapter is assessed or not later than thirty (30) days after the date an installment of the fee under IC 13-16-2 is due.

SECTION 277. IC 13-16-1-11 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 11. If a person does not remit a fee established under section 8(1) of this chapter or an installment of the fee under IC 13-16-2 to the department not later than ninety (90) days after the date the fee is assessed or not later than sixty (60) days after the date the installment is due, the department may revoke the person's permit. However, before the department may revoke a permit under this section, the department must:**

(1) not earlier than sixty (60) days after the date the fee is assessed or not earlier than thirty (30) days after the installment is due; and

(2) not later than thirty (30) days before the department revokes the permit;

notify the person by United States mail of the fees and delinquency charges due. The notice must state that the department may revoke the person's permit for nonpayment after thirty (30) days from the date of the notice.

SECTION 278. IC 13-16-1-12 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 12. Any fees assessed under section 8 of this chapter or delinquency charges assessed under section 10 of this chapter:**

(1) are payable to the department; and

(2) shall be deposited as follows:

(A) Fifty percent (50%) in the environmental management permit operation fund established by IC 13-15-11-1.

(B) Fifty percent (50%) in the state general fund.

SECTION 279. IC 13-17-5-7, AS AMENDED BY P.L.229-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. (a) The department shall annually advise the budget committee on whether:

(1) money ~~appropriated by the general assembly;~~ **available from the underground petroleum storage tank excess liability trust fund established by IC 13-23-7-1;** and

(2) money available through federal grants;

is adequate to implement a motor vehicle emissions testing program described in section 5.1 of this chapter.

(b) If the money described under subsection (a) becomes insufficient to implement a motor vehicle emissions testing program, the department shall immediately notify:

(1) the governor; and

(2) the budget committee;

of the insufficiency.

SECTION 280. IC 13-18-20-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. For industrial permits, other than coal mine permits or stone quarry permits, the annual base fee per facility is:

(1) one thousand **two hundred** dollars ~~($1,000)~~ **($1,200)** for a major permit; and

(2) four hundred **eighty** dollars ~~($400)~~ **($480)** for a minor permit;

plus the following annual discharge flow fee per facility:

Daily Average Actual Flow in MGD	Fee
.001 - .05	~~$240~~ **$288**
.051 - .1	~~$360~~ **$432**
.101 - .2	~~$840~~ **$1,008**
.201 - .3	~~$1,200~~ **$1,440**
.301 - .5	~~$1,680~~ **$2,016**
.501 - 1.0	~~$2,060~~ **$2,472**
1.001 - 2.0	~~$3,600~~ **$4,320**
2.001 - 5.0	~~$5,400~~ **$6,480**
5.001 - 10.0	~~$8,400~~ **$10,080**
10.001 - 15.0	~~$12,000~~ **$14,400**
15.001 - 30.0	~~$16,800~~ **$20,160**
30.001 - 50.0	~~$22,800~~ **$27,360**
50.001 - 100.0	~~$28,800~~ **$34,560**

> 100.0	~~$34,800~~ **$41,760**

Annual flow fees are reduced by twenty percent (20%) for discharges that are comprised of greater than ninety percent (90%) of non-contact cooling water.

SECTION 281. IC 13-18-20-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. Each facility for which a coal mine operator files a notice of intent under the general coal mine permit rules adopted under IC 13-18-18 shall pay an annual fee of ~~five~~ **six** hundred dollars ~~($500)~~ **($600)** instead of the following individual permit fees. The annual fee must accompany the initial notice of intent and is due each year on the anniversary date of the date when the initial notice of intent was filed.

Outfalls	Fee
1 Outfall	~~$500~~ **$600**
2-3 Outfalls	~~$750~~ **$900**
4-6 Outfalls	~~$1,000~~ **$1,200**
7-10 Outfalls	~~$1,500~~ **$1,800**
11-20 Outfalls	~~$2,500~~ **$3,000**
21-99 Outfalls	~~$3,500~~ **$4,200**

SECTION 282. IC 13-18-20-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. For stone quarry permits, the annual fee is as follows:

Outfalls	Fee
1 Outfall	~~$750~~ **$900**
2 Outfalls	~~$1,500~~ **$1,800**
3 Outfalls	~~$2,000~~ **$2,400**
4 Outfalls	~~$2,500~~ **$3,000**

SECTION 283. IC 13-18-20-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. For municipal permits, the annual base fee per facility is:

(1) one thousand ~~five~~ **eight** hundred dollars ~~($1,500)~~ **($1,800)** for a major permit; and

(2) four hundred **eighty** dollars ~~($400)~~ **($480)** for a minor permit;

plus the following annual discharge flow fee per facility:

Daily Average Actual Flow in MGD		Fee
.001 -	.05	~~$300~~ **$360**
.051 -	.1	~~$600~~ **$720**
.101 -	.2	~~$2,000~~ **$2,400**
.201 -	.3	~~$4,000~~ **$4,800**
.301 -	.5	~~$5,000~~ **$6,000**
.501 -	1.0	~~$6,000~~ **$7,200**

1.001 - 2.0	~~$7,000~~ **$8,400**
2.001 - 5.0	~~$8,000~~ **$9,600**
5.001 - 10.0	~~$10,000~~ **$12,000**
10.001 - 15.0	~~$13,000~~ **$15,600**
15.001 - 30.0	~~$15,000~~ **$18,000**
30.001 - 50.0	~~$20,000~~ **$24,000**
50.001 - 100.0	~~$22,000~~ **$26,400**

SECTION 284. IC 13-18-20-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. For state permits, the annual base fee per facility is:

(1) one thousand **two hundred** dollars ~~($1,000)~~ **($1,200)** for a major permit; and

(2) four hundred **eighty** dollars ~~($400)~~ **($480)** for a minor permit;

plus the following annual discharge flow fee per facility:

Daily Average Actual Flow in MGD	Fee
.001 - .05	~~$240~~ **$288**
.051 - .1	~~$360~~ **$432**
.101 - .2	~~$840~~ **$1,008**
.201 - .3	~~$1,200~~ **$1,440**
.301 - .5	~~$1,680~~ **$2,016**
.501 - 1.0	~~$2,060~~ **$2,472**
1.001 - 2.0	~~$3,600~~ **$4,320**
2.001 - 5.0	~~$5,400~~ **$6,480**
5.001 - 10.0	~~$8,400~~ **$10,080**
10.001 - 15.0	~~$12,000~~ **$14,400**
15.001 - 30.0	~~$16,800~~ **$20,160**
30.001 - 50.0	~~$22,800~~ **$27,360**
50.001 - 100.0	~~$28,800~~ **$34,560**
> 100.0	~~$34,800~~ **$41,760**

SECTION 285. IC 13-18-20-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7. For federal permits, the annual base fee per facility is:

(1) one thousand **two hundred** dollars ~~($1,000)~~ **($1,200)** for a major permit; and

(2) four hundred **eighty** dollars ~~($400)~~ **($480)** for a minor permit;

plus the following annual discharge flow fee per facility:

Daily Average Actual Flow in MGD		Fee
.001 -	.05	~~$240~~ **$288**
.051 -	.1	~~$360~~ **$432**
.101 -	.2	~~$840~~ **$1,008**
.201 -	.3	~~$1,200~~ **$1,440**
.301 -	.5	~~$1,680~~ **$2,016**
.501 -	1.0	~~$2,060~~ **$2,472**
1.001 -	2.0	~~$3,600~~ **$4,320**
2.001 -	5.0	~~$5,400~~ **$6,480**
5.001 -	10.0	~~$8,400~~ **$10,080**
10.001 -	15.0	~~$12,000~~ **$14,400**
15.001 -	30.0	~~$16,800~~ **$20,160**
30.001 -	50.0	~~$22,800~~ **$27,360**
50.001 -	100.0	~~$28,800~~ **$34,560**
> 100.0		~~$34,800~~ **$41,760**

SECTION 286. IC 13-18-20-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. For semipublic permits, the annual base fee per facility is:

(1) ~~seven~~ **nine** hundred ~~fifty~~ dollars ~~($750)~~ **($900)** for a major permit; and

(2) two hundred **forty** dollars ~~($200)~~ **($240)** for a minor permit;

plus the following annual discharge flow fee per facility:

Daily Average Design Flow in MGD		Fee
.001 -	.05	~~$150~~ **$180**
.051 -	.1	~~$300~~ **$360**
.101 -	.2	~~$1,000~~ **$1,200**
.201 -	.3	~~$2,000~~ **$2,400**
.301 -	.5	~~$2,500~~ **$3,000**
.501 -	1.0	~~$3,000~~ **$3,600**
1.001 -	2.0	~~$3,500~~ **$4,200**
2.001 -	5.0	~~$4,000~~ **$4,800**
5.001 -	10.0	~~$5,000~~ **$6,000**
10.001 -	15.0	~~$6,500~~ **$7,800**
15.001 -	30.0	~~$7,500~~ **$9,000**
30.001 -	50.0	~~$10,000~~ **$12,000**
50.001 -	100.0	~~$11,000~~ **$13,200**

SECTION 287. IC 13-18-20-9, AS AMENDED BY P.L.184-2002, SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. For public water system permits, the annual base fee per facility is:

(1) one thousand **two hundred** dollars ~~($1,000)~~ **($1,200)** for a major permit; and

(2) four hundred **eighty** dollars ($400) **($480)** for a minor permit;

plus the following annual discharge flow fee per facility based on projected daily average flow in MGD as set forth in a facility NPDES permit:

Projected Daily Average Flow in MGD	Fee
.001 - .05	~~$240~~ **$288**
.051 - .1	~~$360~~ **$432**
.101 - .2	~~$840~~ **$1,008**
.201 - .3	~~$1,200~~ **$1,440**
.301 - .5	~~$1,680~~ **$2,016**
.501 - 1.0	~~$2,060~~ **$2,472**
1.001 - 2.0	~~$3,600~~ **$4,320**
2.001 - 5.0	~~$5,400~~ **$6,480**
5.001 - 10.0	~~$8,400~~ **$10,080**
10.001 - 15.0	~~$12,000~~ **$14,400**
15.001 - 30.0	~~$16,800~~ **$20,160**
30.001 - 50.0	~~$22,800~~ **$27,360**
50.001 - 100.0	~~$28,800~~ **$34,560**
> 100.0	~~$34,800~~ **$41,760**

SECTION 288. IC 13-18-20-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) For storm water permits for construction activity, a fee of one hundred **twenty** dollars ~~($100)~~ **($120)** shall be submitted with a notice of intent (NOI).

(b) For storm water permits for industrial activity, the annual fee is one hundred **twenty** dollars ~~($100).~~ **($120).**

SECTION 289. IC 13-18-20-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. For an industrial waste pretreatment permit, the annual fee is ~~three~~ **four** hundred ~~fifty~~ **twenty** dollars ~~($350).~~ **($420).**

SECTION 290. IC 13-18-20-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. The fees and delinquency charges established under this chapter:

(1) are payable to the department; and

(2) shall be deposited **as follows:**

(A) Ninety-one and six hundred sixty-six thousandths percent (91.666%) in the environmental management permit operation fund established by IC 13-15-11-1.

(B) Eight and three hundred thirty-four thousandths percent (8.334%) in the state general fund.

SECTION 291. IC 13-20-21-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. For solid waste permits, the application fees are as follows:

New Permit or Major Modification

	Fee
Sanitary Landfill	~~$31,300~~ **$37,560**
Construction\ Demolition Site	~~$20,000~~ **$24,000**
Restricted Waste Site	
Type I	~~$31,300~~ **$37,560**
Type II	~~$31,300~~ **$37,560**
Type III	~~$20,000~~ **$24,000**
Processing Facility	
Transfer Station	~~$12,150~~ **$14,580**
Other	~~$12,150~~ **$14,580**
Incinerator	~~$28,650~~ **$34,380**
Waste Tire Storage Registration	~~$500~~ **$600**
Waste Tire Processing	~~$200~~ **$240**
Waste Tire Transportation	~~$25~~ **$30**

Permit Renewal

Sanitary Landfill	~~$15,350~~ **$18,420**
Construction\ Demolition Site	~~$7,150~~ **$8,580**
Restricted Waste Site	
Type I	~~$15,350~~ **$18,420**
Type II	~~$15,350~~ **$18,420**
Type III	~~$7,150~~ **$8,580**
Processing Facility	
Transfer Station	~~$2, 200~~ **$2,640**
Other	~~$2, 200~~ **$2,640**
Incinerator	~~$5,900~~ **$7,080**
Waste Tire Processing	~~$200~~ **$240**

Minor Modification

Minor Modification	~~$2,500~~ **$3,000**

SECTION 292. IC 13-20-21-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. For solid waste, the annual operation fees are as follows:

	Fee
Sanitary Landfill	
> 500 TPD	~~$35,000~~ **$42,000**

250-499 TPD	~~$15,000~~ **$18,000**
100-249 TPD	~~$7,000~~ **$8,400**
<100 TPD	~~$2,000~~ **$2,400**
Construction\ Demolition Site	~~$1,500~~ **$1,800**
Restricted Waste Site	
Type I	~~$35,000~~ **$42,000**
Type II	~~$25,000~~ **$30,000**
Type III	~~$10,000~~ **$12,000**
Processing Facility	
Transfer Station	~~$2,000~~ **$2,400**
Other	~~$2,000~~ **$2,400**
Incinerator	
>500 TPD	~~$35,000~~ **$42,000**
250-499 TPD	~~$15,000~~ **$18,000**
100-249 TPD	~~$7,000~~ **$8,400**
<100 TPD	~~$2,000~~ **$2,400**
Infectious Waste Incinerator (>7 TPD)	~~$5,000~~ **$6,000**
Waste Tire Storage Registration	~~$500~~ **$600**
Waste Tire Transportation Registration	~~$25~~ **$30**
Groundwater Compliance Sampling (per well)	~~$250~~ **$300**

SECTION 293. IC 13-20-21-6, AS AMENDED BY P.L.218-2001, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) For solid waste, the disposal fees are as follows:

	Fee
Solid waste disposed into a municipal solid waste landfill per ton	~~$0.10~~ **$0.12**
Solid waste disposed into a nonmunicipal solid waste landfill per ton	~~$0.10~~ **$0.12**
Solid waste disposed into an incinerator per ton	~~$0.05~~ **$0.06**
Solid waste disposed into a construction\demolition waste site per ton	~~$0.10~~ **$0.12**

(b) There is no solid waste disposal fee for solid waste disposed into a solid waste landfill permitted to accept restricted waste solely generated by the person to which the permit is issued.

SECTION 294. IC 13-20-21-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. Fees and delinquency charges collected under this chapter:

(1) are payable to the department; and

(2) shall be deposited **as follows:**

(A) Ninety-one and six hundred sixty-six thousandths percent (91.666%) in the environmental management permit operation fund established by IC 13-15-11-1.

(B) Eight and three hundred thirty-four thousandths percent (8.334%) in the state general fund.

SECTION 295. IC 13-21-12-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. A security issued in connection with a financing under this article, the interest on which is excludable from **adjusted** gross income tax, is exempt from the registration requirements of IC 23.

SECTION 296. IC 13-22-12-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. For hazardous waste, the application fees are as follows:

New Permit Application	
	Fee
Land Disposal	~~$40,600~~ **$48,720**
Incinerator (per unit)	~~$21,700~~ **$26,040**
Storage	~~$23,800~~ **$28,560**
Treatment	~~$23,800~~ **$28,560**
Permit Renewal or Class 3 Modification	
Land Disposal	~~$34,000~~ **$40,800**
Incinerator	~~$21,700~~ **$26,040**
Storage	~~$17,200~~ **$20,640**
Treatment	~~$17,200~~ **$20,640**
Class 2 Modification	
Class 2 Modification	~~$2,250~~ **$2,700**

SECTION 297. IC 13-22-12-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. For hazardous waste, the annual operation fees are as follows:

	Fee
Land Disposal	~~$37,500~~ **$45,000**
Incinerator (per unit)	~~$10,000~~ **$12,000**
Storage	~~$2,500~~ **$3,000**
Treatment	~~$10,000~~ **$12,000**
Generator	~~$1,565~~ **$1,878**

Postclosure Activity	~~$1,500~~	**$1,800**
Groundwater Compliance Sampling at active facilities (per well)	~~$1,000~~	**$1,200**

SECTION 298. IC 13-22-12-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13. The fees and delinquency charges collected under this chapter:

(1) are payable to the department; and

(2) shall be deposited **as follows:**

(A) Ninety-one and six hundred sixty-six thousandths percent (91.666%) in the environmental management permit operation fund established by IC 13-15-11-1.

(B) Eight and three hundred thirty-four thousandths percent (8.334%) in the state general fund.

SECTION 299. IC 13-23-7-1, AS AMENDED BY P.L.14-2001, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. The underground petroleum storage tank excess liability trust fund is established for the following purposes:

(1) Assisting owners and operators of underground petroleum storage tanks to establish evidence of financial responsibility as required under IC 13-23-4.

(2) Providing a source of money to satisfy liabilities incurred by owners and operators of underground petroleum storage tanks under IC 13-23-13-8 for corrective action.

(3) Providing a source of money for the indemnification of third parties under IC 13-23-9-3.

(4) Providing a source of money to pay for the expenses of the department incurred in paying and administering claims against the trust fund. Money may be provided under this subdivision only for those job activities and expenses that consist exclusively of administering the excess liability trust fund.

(5) Providing a source of money to pay for the expenses of the department incurred in operating and administering a motor vehicle inspection and maintenance program established under IC 13-17-5.

SECTION 300. IC 13-23-7-4, AS AMENDED BY P.L.14-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. The expenses of administering:

(1) IC 13-17-5; and

(2) the provisions of this article that are funded by the trust fund, including:

~~(1)~~ **(A)** IC 13-23-8;

~~(2)~~ **(B)** IC 13-23-9;
~~(3)~~ **(C)** IC 13-23-11; and
~~(4)~~ **(D)** IC 13-23-12;
shall be paid from money in the fund.

SECTION 301. IC 13-23-8-1, AS AMENDED BY P.L.14-2001, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a)** The department, under rules adopted by the underground storage tank financial assurance board under IC 4-22-2, shall use money in the excess liability trust fund, to the extent that money is available in the excess liability trust fund, to pay claims submitted to the department for the following:

(1) The payment of the costs allowed under IC 13-23-9-2, excluding:
(A) liabilities to third parties; and
(B) the costs of repairing or replacing an underground storage tank;
arising out of releases of petroleum.
(2) Providing payment of part of the liability of owners and operators of underground petroleum storage tanks:
(A) to third parties under IC 13-23-9-3; or
(B) for reasonable attorney's fees incurred in defense of a third party liability claim.

(b) The department may use money in the excess liability trust fund, to the extent that money is available in the excess liability trust fund, to pay for all or part of the expenses incurred in operating and administering a motor vehicle inspection and maintenance program established under IC 13-17-5.

SECTION 302. IC 16-28-11-1, AS AMENDED BY P.L.218-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. Except as provided in IC 16-28-1-11, ~~and~~ IC 16-28-7-4, **and section 4 of this chapter,** fines or fees required to be paid under this article shall be paid directly to the director, who shall deposit the fines or fees in the state general fund.

SECTION 303. IC 16-28-11-4 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 4. A health facility shall pay the fee required under IC 12-15-14.5.**

SECTION 304. IC 16-42-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) An organization that is exempt from the ~~Indiana~~ **state** gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20 through IC 6-2.1-3-22~~ **IC 6-2.5-5-21(b)(1)(B), IC 6-2.5-5-21(b)(1)(C), or IC 6-2.5-5-21(b)(1)(D)** and that offers food for sale to the final consumer at an event held for the benefit of the organization is exempt from complying with the requirements of this chapter that may be imposed upon the sale of food at that event if the following conditions are met:

(1) Members of the organization prepare the food that will be sold.

(2) Events conducted by the organization under this section take place for not more than thirty (30) days in a calendar year.

(3) The name of each member who has prepared a food item is attached to the container in which the food item has been placed.

(b) This section does not prohibit an exempted organization from waiving the exemption and applying for a license under this chapter.

SECTION 305. IC 16-46-11-2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 2. (a) The minority health initiatives fund is established for purposes of carrying out section 1 of this chapter. The fund consists of the following:**

(1) Money deposited in the fund under IC 6-7-1-28.1.

(2) Money appropriated by the general assembly.

(3) Money received from any other source.

(b) The state department shall administer the fund. The state department shall transfer money in the fund to the Indiana Minority Health Coalition for purposes of carrying out section 1 of this chapter.

(c) The expenses of administering the fund shall be paid from money in the fund. There is annually appropriated to the state department money in the minority health initiatives fund for the department's use in carrying out this section.

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested.

(e) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

SECTION 306. IC 20-5-6-9, AS ADDED BY P.L.17-2000, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) As used in this section, "public school endowment corporation" means a corporation that is:

(1) organized under the Indiana Nonprofit Corporation Act of 1991 (IC 23-17);

(2) organized exclusively for educational, charitable, and scientific purposes; and

(3) formed for the purpose of providing educational resources to:

(A) a particular school corporation or school corporations; or
(B) the schools in a particular geographic area.

(b) As used in this section, "proceeds from riverboat gaming" means tax revenue received by a political subdivision under IC 4-33-12-6 **(before its repeal),** IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue.

(c) As used in this section, "political subdivision" has the meaning set forth in IC 36-1-2-13.

(d) A political subdivision may donate proceeds from riverboat gaming to a public school endowment corporation under the following conditions:

(1) The public school endowment corporation retains all rights to the donation, including investment powers.
(2) The public school endowment corporation agrees to return the donation to the political subdivision if the corporation:
(A) loses the corporation's status as a public charitable organization;
(B) is liquidated; or
(C) violates any condition of the endowment set by the fiscal body of the political subdivision.

(e) A public school endowment corporation may distribute both principal and income.

SECTION 307. IC 20-5-6-10, AS ADDED BY P.L.45-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. (a) The governing body of a school corporation may donate the proceeds of a grant, a gift, a donation, an endowment, a bequest, a trust, or an agreement to share tax revenue received by a city or county under IC 4-33-12-6 **(before its repeal)** or IC 4-33-13, or other funds not generated from taxes levied by the school corporation, to a foundation under the following conditions:

(1) The foundation is a charitable nonprofit community foundation.
(2) The foundation retains all rights to the donation, including investment powers, except as provided in subdivision (3).
(3) The foundation agrees to do the following:
(A) Hold the donation as a permanent endowment.
(B) Distribute the income from the donation only to the school corporation as directed by resolution of the governing body of the school corporation.
(C) Return the donation to the general fund of the school corporation if the foundation:
(i) loses the foundation's status as a public charitable

organization;
(ii) is liquidated; or
(iii) violates any condition of the endowment set by the governing body of the school corporation.

(b) A school corporation may use income received under this section from a community foundation only for purposes of the school corporation.

SECTION 308. IC 20-9.1-4-12 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 12. The state police department may adopt rules under IC 4-22-2 concerning inspections conducted under section 5 of this chapter, including the imposition of fees for the inspections.**

SECTION 309. IC 20-10.1-17-3, AS AMENDED BY P.L.146-1999, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) The board shall adopt clear, concise, and jargon free state academic standards that are comparable to national and international academic standards. These academic standards must be adopted for each grade level from kindergarten through grade 12 for the following subjects:

(1) English/language arts.
(2) Mathematics.
~~(3) Social studies.~~
~~(4) Science.~~

For grade levels tested under the ISTEP program, the academic standards must be based in part upon the results of the ISTEP program.

(b) The department shall do the following:

(1) Distribute the academic standards established under this section to each school corporation for distribution by the school corporation to the parent of each student in the school corporation.
(2) Survey parents of students, members of the business community, representatives of higher education, and educators on the importance and applicability of academic standards.

(c) ISTEP program testing shall be administered **only** in the following subject areas:

(1) English/language arts.
(2) Mathematics.
~~(3) Beginning in school year 2002-2003, science, in grade levels determined by the board.~~
~~(4) Beginning in school year 2003-2004, social studies, in grade levels determined by the board.~~

SECTION 310. IC 20-10.1-17-4.5, AS AMENDED BY P.L.146-1999, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4.5. (a) The remediation grant program is established to provide grants to school corporations for the following:

(1) Remediation of students who score below academic standards **in the subjects tested in the ISTEP program.**

(2) Preventive remediation for students who are at risk of falling below academic standards **in the subjects tested in the ISTEP program.**

(3) For students in a freeway school or freeway school corporation who are assessed under a locally adopted assessment program under IC 20-5-62-6(7):

(A) remediation of students who score below academic standards under the locally adopted assessment program; and

(B) preventive remediation for students who are at risk of falling below academic standards under the locally adopted assessment program;

in the subjects tested in the ISTEP program.

(b) The department shall do the following:

(1) Subject to section 5.5 of this chapter, develop a formula to be approved by the **Indiana** state board of education, reviewed by the ~~state~~ budget committee, and approved by the budget agency for the distribution of grants to school corporations.

(2) Distribute grant funds according to the formula.

(3) Determine standards for remediation programs to be funded under the program.

(4) Administer the program.

SECTION 311. IC 20-14-10-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property owned by a lessor corporation contracting with a public corporation or corporations under this chapter, and all stock and other securities, including the interest or dividends issued by a lessor corporation, are exempt from all state, county, and other taxes, ~~including gross income taxes, but~~ excluding the financial institutions tax and the inheritance taxes. ~~The rental paid to a lessor corporation under the terms of a lease is exempt from gross income tax.~~

SECTION 312. IC 21-2-11.5-3, AS AMENDED BY P.L.90-2002, SECTION 425, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3. (a) Subject to subsection (b), each school corporation may levy for the calendar year a property tax for the school transportation fund sufficient to pay all operating costs attributable to transportation that:

(1) are not paid from other revenues available to the fund as specified in section 4 of this chapter; and

(2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

(b) For taxes first due and payable in 1996, the property tax levy for the fund may not exceed the amount determined using the following formula:

STEP ONE: Determine the sum of the expenditures attributable to operating costs listed in section 2(a)(1) through 2(a)(7) of this chapter that were made by the school corporation as determined by the department of local government finance for all operating costs attributable to transportation that are not paid from other revenues available to the fund for school years ending in 1993, 1994, and 1995.

STEP TWO: Divide the amount determined in STEP ONE by three (3).

STEP THREE: Determine the greater of:

(A) the STEP TWO amount; or

(B) the school corporation's actual transportation fund levy attributable to operating costs for property taxes first due and payable in 1995.

STEP FOUR: Multiply the amount determined in STEP THREE by one and five-hundredths (1.05).

(c) For each year after 1996, the levy for the fund may not exceed the levy for the previous year multiplied by the assessed value growth quotient determined using the following formula:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: **Subject to subsection (f),** compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth **(0.0001)**) of the school corporation's total assessed value of all taxable property in the particular calendar year, divided by the school corporation's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).

STEP FIVE: Determine the lesser of the result computed in STEP

FOUR or one and one-tenth (1.1).

If the assessed values of taxable property used in determining a school corporation's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that school corporation's real property, then for purposes of determining that school corporation's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO for that particular calendar year. The department of local government finance shall replace that quotient with one that as accurately as possible will reflect the actual growth in the school corporation's assessed values of real property from the immediately preceding calendar year to that particular calendar year. The maximum property levy limit computed under this section for the school transportation fund shall be reduced to reflect the transfer of costs for operating to the school bus replacement fund under section 2(e) of this chapter. The total reduction in the school transportation fund maximum property tax levy may not exceed the amount of the fair market lease value of the contracted transportation service expenditures paid from the fund before the transfer.

(d) Each school corporation may levy for the calendar year a tax for the school bus replacement fund in accordance with the school bus acquisition plan adopted under section 3.1 of this chapter.

(e) The tax rate and levy for each fund shall be established as a part of the annual budget for the calendar year in accord with IC 6-1.1-17.

(f) The total assessed value of a school corporation to be used for 2003 and 2004 in the determination of an assessed value growth quotient under subsection (c) includes the actual assessed value of dwellings without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 313. IC 21-2-12-6.1, AS AMENDED BY P.L.3-2000, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2004]: Sec. 6.1. (a) The county supplemental school financing tax revenues shall be deposited in the county supplemental school distribution fund. In addition, for purposes of allocating distributions of tax revenues collected under ~~IC 6-5-10, IC 6-5-11,~~ IC 6-5.5, IC 6-6-5, IC 6-6-5.5, or IC 6-6-6.5, the county supplemental school financing tax shall be treated as if it were property taxes imposed by a separate taxing unit. Thus, the appropriate portion of those distributions shall be deposited in the county supplemental school distribution fund.

(b) The entitlement of each school corporation from the county supplemental school distribution fund for each calendar year after 2000 shall be the greater of:

(1) the amount of its entitlement for the calendar year 2000 from the tax levied under this chapter; or

(2) an amount equal to twenty-seven dollars and fifty cents ($27.50) times its ADM.

SECTION 314. IC 21-2-15-11, AS AMENDED BY P.L.178-2002, SECTION 92, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 11. (a) To provide for the capital projects fund, the governing body may, for each year in which a plan adopted under section 5 of this chapter is in effect, impose a property tax rate that does not exceed forty-one and sixty-seven hundredths cents ($0.4167) on each one hundred dollars ($100) of assessed valuation of the school corporation. This actual rate must be advertised in the same manner as other property tax rates.

(b) The maximum property tax rate levied by each school corporation must be adjusted each time a general reassessment of property takes effect. The adjusted property tax rate becomes the new maximum property tax rate for the levy for property taxes first due and payable in each year:

(1) after the general reassessment for which the adjustment was made takes effect; and

(2) before the next general reassessment takes effect.

(c) The new maximum rate under this section is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the school corporation for the year preceding the year in which the general reassessment takes effect.

STEP TWO: **Subject to subsection (e),** determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: **Subject to subsection (e),** compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(d) The department of local government finance shall compute the maximum rate allowed under subsection (c) and provide the rate to each school corporation.

(e) The assessed value of taxable property to be used in the determination of the actual percentage increase in assessed value:

(1) for 2002 under subsection (c), STEP TWO; and

(2) for 2003 and 2004 under subsection (c), STEP FOUR;

includes the actual assessed value of dwellings, without regard to the phase in of the assessed value of dwellings under IC 6-1.1-4-4.2.

SECTION 315. IC 21-3-1.7-2, AS AMENDED BY P.L.181-1999, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. As used in this chapter, "excise tax revenue" means the amount of:

(1) financial institution excise tax revenue ~~(IC 6-5-10, IC 6-5-11, IC 6-5-12) (or the amount of any distribution by the state to replace these taxes);~~ **(IC 6-5.5);** plus

(2) the motor vehicle excise taxes (IC 6-6-5) and the commercial vehicle excise taxes (IC 6-6-5.5);

the school corporation received for deposit in the school corporation's general fund in a year.

SECTION 316. IC 21-5-11-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property owned by a lessor corporation so contracting with such school corporation or corporations under the provisions of this chapter, and all stock and other securities including the interest or dividends thereon issued by a lessor corporation, shall be exempt from all state, county, and other taxes, ~~including the gross income tax,~~ except, however, the financial institutions tax **(IC 6-5.5)** and inheritance taxes ~~The rental paid to a lessor corporation under the terms of such a contract of lease shall be exempt from the gross income tax.~~ **(IC 6-4.1).**

SECTION 317. IC 25-37-1-4 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. Any transient merchant desiring to transact business in any county in this state shall file application for a license for that purpose with the auditor of the county in this state in which such transient merchant desires to do business. The application shall state the following facts:

(a) The name, residence and post-office address of the person, firm, limited liability company, or corporation making the application, and if a firm, limited liability company, or corporation, the name and address of the members of the firm or limited liability company, or officers of the corporation, as the case may be.

(b) If the applicant is a corporation or limited liability company then there shall be stated on the application form the date of incorporation or organization, the state of incorporation or organization, and if the applicant is a corporation or limited liability company formed in a state other than the state of Indiana, the date on which such corporation or limited liability company qualified to transact business as a foreign corporation or foreign limited liability company in the state of Indiana.

(c) A statement showing the kind of business proposed to be conducted, the length of time for which the applicant desires to transact business, and if for the purpose of transacting such business any permanent or mobile building, structure or real estate is to be used for the exhibition by means of samples, catalogues, photographs and price lists or sale of goods, wares or merchandise, the location of such proposed place of business.

(d) A detailed inventory and description of such goods, wares, and merchandise to be offered for sale or sold, the manner in which the same is to be advertised for sale and the representations to be made in connection therewith, the names of the persons from whom the goods, wares, and merchandise so to be advertised or represented were obtained, the date of receipt of such goods, wares, and merchandise by the applicant for the license, the place from which the same were last taken, and any and all details necessary to locate and identify all goods, wares and merchandise to be sold.

(e) Attached to the application shall be a receipt showing that personal property taxes on the goods, wares and merchandise to be offered for sale or sold have been paid.

(f) Attached to the application shall be a copy of a notice, which ten (10) days before said application has been filed, shall have been mailed by registered mail by the applicant to the Indiana department of state revenue. ~~of the state of Indiana or such other department as may be charged with the duty of collecting gross income taxes or other taxes of a comparable nature or which may be in lieu of such gross income~~

~~taxes.~~ The said notice shall state the precise period of time and location from which said applicant intends to transact business, the approximate value of the goods, wares, and merchandise to be offered for sale or sold, and such other information as the Indiana department of state revenue of the state of Indiana or its successor may request or by regulation require.

(g) Said application shall be verified.

SECTION 318. IC 27-1-18-2, AS AMENDED BY P.L.144-2000, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) Every insurance company not organized under the laws of this state, and each domestic company electing to be taxed under this section, and doing business within this state shall, on or before March 1 of each year, report to the department, under the oath of the president and secretary, the gross amount of all premiums received by it on policies of insurance covering risks within this state, or in the case of marine or transportation risks, on policies made, written, or renewed within this state during the twelve (12) month period ending on December 31 of the preceding calendar year. From the amount of gross premiums described in this subsection shall be deducted:

(1) considerations received for reinsurance of risks within this state from companies authorized to transact an insurance business in this state;

(2) the amount of dividends paid or credited to resident insureds, or used to reduce current premiums of resident insureds;

(3) the amount of premiums actually returned to residents on account of applications not accepted or on account of policies not delivered; and

(4) the amount of unearned premiums returned on account of the cancellation of policies covering risks within the state.

(b) A domestic company shall be taxed under this section only in each calendar year with respect to which it files a notice of election. The notice of election shall be filed with the insurance commissioner and the commissioner of the department of state revenue on or before November 30 in each year and shall state that the domestic company elects to submit to the tax imposed by this section with respect to the calendar year commencing January 1 next following the filing of the notice. The exemption from license fees, privilege, or other taxes accorded by this section to insurance companies not organized under the laws of this state and doing business within this state which are taxed under this chapter shall be applicable to each domestic company in each calendar year with respect to which it is taxed under this section. In each calendar year with respect to which a domestic company has not elected to be taxed under this section it shall be taxed without regard to this section.

(c) For the privilege of doing business in this state, every insurance company required to file the report provided in this section shall pay into the treasury of this state an amount equal to the excess, if any, of the gross premiums over the allowable deductions multiplied by the following rate for the year that the report covers:

(1) For 2000, two percent (2%).

(2) For 2001, one and nine-tenths percent (1.9%).

(3) For 2002, one and eight-tenths percent (1.8%).

(4) For 2003, one and ~~seven-tenths~~ **eight-tenths** percent ~~(1.7%).~~ **(1.8%).**

(5) For 2004, one and ~~five-tenths~~ **eight-tenths** percent ~~(1.5%).~~ **(1.8%).**

(6) For 2005, ~~and thereafter,~~ one and ~~three-tenths~~ **seven-tenths** percent ~~(1.3%).~~ **(1.7%).**

(7) For 2006, one and five-tenths percent (1.5%).

(8) For 2007 and thereafter, one and three-tenths percent (1.3%).

(d) Payments of the tax imposed by this section shall be made on a quarterly estimated basis. The amounts of the quarterly installments shall be computed on the basis of the total estimated tax liability for the current calendar year and the installments shall be due and payable on or before April 15, June 15, September 15, and December 15, of the current calendar year.

(e) Any balance due shall be paid in the next succeeding calendar year at the time designated for the filing of the annual report with the department.

(f) Any overpayment of the estimated tax during the preceding calendar year shall be allowed as a credit against the liability for the first installment of the current calendar year.

(g) In the event a company subject to taxation under this section fails to make any quarterly payment in an amount equal to at least:

(1) twenty-five percent (25%) of the total tax paid during the preceding calendar year; or

(2) twenty per cent (20%) of the actual tax for the current calendar year;

the company shall be liable, in addition to the amount due, for interest in the amount of one percent (1%) of the amount due and unpaid for each month or part of a month that the amount due, together with interest, remains unpaid. This interest penalty shall be exclusive of and in addition to any other fee, assessment, or charge made by the department.

(h) The taxes under this article shall be in lieu of all license fees or privilege or other tax levied or assessed by this state or by any municipality, county, or other political subdivision of this state. No municipality, county, or other political subdivision of this state shall impose any license fee or privilege or other tax upon any insurance company or any of its agents for the privilege of doing an insurance business therein, except the tax authorized by IC 22-12-6-5. However, the taxes authorized under IC 22-12-6-5 shall be credited against the taxes provided under this chapter. This section shall not be construed to prohibit the levy and collection of state, county, or municipal taxes upon real and tangible personal property of such company, or to prohibit the levy of any retaliatory tax, fine, penalty, or fee provided by law. However, all insurance companies, foreign or domestic, paying taxes in this state predicated in part on their premium income from policies sold and premiums received in Indiana, shall have the same rights and privileges from further taxation and shall be given the same credits wherever applicable, as those set out for those companies paying only a tax on premiums as set out in this section.

(i) Any insurance company failing or refusing, for more than thirty (30) days, to render an accurate account of its premium receipts as provided in this section and pay the tax due thereon shall be subject to a penalty of one hundred dollars ($100) for each additional day such report and payment shall be delayed, not to exceed a maximum penalty of ten thousand dollars ($10,000). The penalty may be ordered by the commissioner after a hearing under IC 4-21.5-3. The commissioner may revoke all authority of such defaulting company to do business within this state, or suspend such authority during the period of such default, in the discretion of the commissioner.

SECTION 319. IC 27-6-8-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) Member insurers, which during any preceding calendar year shall have paid one (1) or more assessments levied pursuant to section 7 of this chapter, shall be allowed a credit against premium taxes, ~~corporate gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income tax,~~ **business supplemental tax,** or any combination thereof ~~or similar taxes~~ upon revenue or income of member insurers which may be imposed by the state, up to twenty percent (20%) of the assessment described in section 7 of this chapter for each calendar year following the year the assessment was paid until the aggregate of all assessments paid to the guaranty association shall have been offset by either credits against such taxes or refunds from the association. The provisions herein are applicable to all assessments levied after the passage of this article.

(b) To the extent a member insurer elects not to utilize the tax credits authorized by subsection (a), the member insurer may utilize the provisions of ~~this~~ subsection (c) as a secondary method of recoupment.

(c) The rates and premiums charged for insurance policies to which this chapter applies shall include amounts sufficient to recoup a sum equal to the amounts paid to the association by the member insurer less any amounts returned to the member insurer by the association and the rates shall not be deemed excessive because they contain an amount reasonably calculated to recoup assessments paid by the member insurer.

SECTION 320. IC 27-8-8-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. Member insurers who, during any preceding calendar year, have paid one (1) or more assessments levied under this chapter may either:

(1) take as a credit against premium taxes, ~~gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income tax,~~ **business supplemental tax,** or any combination of them ~~or similar taxes~~ upon revenue or income of member insurers that may be imposed by Indiana up to twenty percent (20%) of an assessment described in section 6 of this chapter for each calendar year following the year in which those assessments were paid until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the association; or

(2) include in the rates and premiums charged for insurance policies to which this chapter applies amounts sufficient to recoup a sum equal to the amounts paid to the association by the member less any amounts returned to the member insurer by the association and the rates are not excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the member.

SECTION 321. IC 27-8-10-2.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.1. (a) There is established a nonprofit legal entity to be referred to as the Indiana comprehensive health insurance association, which must assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the association for coverage. All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana must be members of the association. The association shall operate under a plan of operation established and approved under subsection (c) and shall exercise its powers through a board of directors established under this section.

(b) The board of directors of the association consists of seven (7) members whose principal residence is in Indiana selected as follows:

(1) Three (3) members to be appointed by the commissioner from the members of the association, one (1) of which must be a representative of a health maintenance organization.

(2) Two (2) members to be appointed by the commissioner shall be consumers representing policyholders.

(3) Two (2) members shall be the state budget director or designee and the commissioner of the department of insurance or designee.

The commissioner shall appoint the chairman of the board, and the board shall elect a secretary from its membership. The term of office of each appointed member is three (3) years, subject to eligibility for reappointment. Members of the board who are not state employees may be reimbursed from the association's funds for expenses incurred in attending meetings. The board shall meet at least semiannually, with the first meeting to be held not later than May 15 of each year.

(c) The association shall submit to the commissioner a plan of operation for the association and any amendments to the plan necessary or suitable to assure the fair, reasonable, and equitable administration of the association. The plan of operation becomes effective upon approval in writing by the commissioner consistent with the date on which the coverage under this chapter must be made available. The commissioner shall, after notice and hearing, approve the plan of operation if the plan is determined to be suitable to assure the fair, reasonable, and equitable administration of the association and provides for the sharing of association losses on an equitable, proportionate basis among the member carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers. If the association fails to submit a suitable plan of operation within one hundred eighty (180) days after the appointment of the board of directors, or at any time thereafter the association fails to submit suitable amendments to the plan, the commissioner shall adopt rules under IC 4-22-2 necessary or advisable to implement this section. These rules are effective until modified by the commissioner or superseded by a plan submitted by the association and approved by the commissioner. The plan of operation must:

(1) establish procedures for the handling and accounting of assets and money of the association;

(2) establish the amount and method of reimbursing members of the board;

(3) establish regular times and places for meetings of the board of directors;

(4) establish procedures for records to be kept of all financial transactions, and for the annual fiscal reporting to the commissioner;

(5) establish procedures whereby selections for the board of directors will be made and submitted to the commissioner for approval;

(6) contain additional provisions necessary or proper for the execution of the powers and duties of the association; and

(7) establish procedures for the periodic advertising of the general availability of the health insurance coverages from the association.

(d) The plan of operation may provide that any of the powers and duties of the association be delegated to a person who will perform functions similar to those of this association. A delegation under this section takes effect only with the approval of both the board of directors and the commissioner. The commissioner may not approve a delegation unless the protections afforded to the insured are substantially equivalent to or greater than those provided under this chapter.

(e) The association has the general powers and authority enumerated by this subsection in accordance with the plan of operation approved by the commissioner under subsection (c). The association has the general powers and authority granted under the laws of Indiana to carriers licensed to transact the kinds of health care services or health insurance described in section 1 of this chapter and also has the specific authority to do the following:

(1) Enter into contracts as are necessary or proper to carry out this chapter, subject to the approval of the commissioner.

(2) Sue or be sued, including taking any legal actions necessary or proper for recovery of any assessments for, on behalf of, or against participating carriers.

(3) Take legal action necessary to avoid the payment of improper claims against the association or the coverage provided by or through the association.

(4) Establish a medical review committee to determine the reasonably appropriate level and extent of health care services in each instance.

(5) Establish appropriate rates, scales of rates, rate classifications

and rating adjustments, such rates not to be unreasonable in relation to the coverage provided and the reasonable operational expenses of the association.

(6) Pool risks among members.

(7) Issue policies of insurance on an indemnity or provision of service basis providing the coverage required by this chapter.

(8) Administer separate pools, separate accounts, or other plans or arrangements considered appropriate for separate members or groups of members.

(9) Operate and administer any combination of plans, pools, or other mechanisms considered appropriate to best accomplish the fair and equitable operation of the association.

(10) Appoint from among members appropriate legal, actuarial, and other committees as necessary to provide technical assistance in the operation of the association, policy and other contract design, and any other function within the authority of the association.

(11) Hire an independent consultant.

(12) Develop a method of advising applicants of the availability of other coverages outside the association and may promulgate a list of health conditions the existence of which would deem an applicant eligible without demonstrating a rejection of coverage by one (1) carrier.

(13) Provide for the use of managed care plans for insureds, including the use of:

(A) health maintenance organizations; and

(B) preferred provider plans.

(14) Solicit bids directly from providers for coverage under this chapter.

(f) Rates for coverages issued by the association may not be unreasonable in relation to the benefits provided, the risk experience, and the reasonable expenses of providing the coverage. Separate scales of premium rates based on age apply for individual risks. Premium rates must take into consideration the extra morbidity and administration expenses, if any, for risks insured in the association. The rates for a given classification may not be more than one hundred fifty percent (150%) of the average premium rate for that class charged by the five (5) carriers with the largest premium volume in the state during the preceding calendar year. In determining the average rate of the five (5) largest carriers, the rates charged by the carriers shall be actuarially adjusted to determine the rate that would have been charged for benefits identical to those issued by the association. All rates adopted by the association must be submitted to the commissioner for approval.

(g) Following the close of the association's fiscal year, the association shall determine the net premiums, the expenses of administration, and the incurred losses for the year. Any net loss shall be assessed by the association to all members in proportion to their respective shares of total health insurance premiums, excluding premiums for Medicaid contracts with the state of Indiana, received in Indiana during the calendar year (or with paid losses in the year) coinciding with or ending during the fiscal year of the association or any other equitable basis as may be provided in the plan of operation. For self-insurers, health maintenance organizations, and limited service health maintenance organizations that are members of the association, the proportionate share of losses must be determined through the application of an equitable formula based upon claims paid, excluding claims for Medicaid contracts with the state of Indiana, or the value of services provided. In sharing losses, the association may abate or defer in any part the assessment of a member, if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligations. The association may also provide for interim assessments against members of the association if necessary to assure the financial capability of the association to meet the incurred or estimated claims expenses or operating expenses of the association until the association's next fiscal year is completed. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums. Assessments must be determined by the board members specified in subsection (b)(1), subject to final approval by the commissioner.

(h) The association shall conduct periodic audits to assure the general accuracy of the financial data submitted to the association, and the association shall have an annual audit of its operations by an independent certified public accountant.

(i) The association is subject to examination by the department of insurance under IC 27-1-3.1. The board of directors shall submit, not later than March 30 of each year, a financial report for the preceding calendar year in a form approved by the commissioner.

(j) All policy forms issued by the association must conform in substance to prototype forms developed by the association, must in all other respects conform to the requirements of this chapter, and must be filed with and approved by the commissioner before their use.

(k) The association may not issue an association policy to any individual who, on the effective date of the coverage applied for, does not meet the eligibility requirements of section 5.1 of this chapter.

(l) The association shall pay an agent's referral fee of twenty-five dollars ($25) to each insurance agent who refers an applicant to the association if that applicant is accepted.

(m) The association and the premium collected by the association shall be exempt from the premium tax, ~~the gross income tax,~~ the adjusted gross income tax, ~~supplemental corporate net income,~~ **business supplemental tax,** or any combination of these ~~or similar taxes~~ upon revenues or income that may be imposed by the state.

(n) Members who after July 1, 1983, during any calendar year, have paid one (1) or more assessments levied under this chapter may either:

(1) take a credit against premium taxes, ~~gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income taxes,~~ **business supplemental tax,** or any combination of these, or similar taxes upon revenues or income of member insurers that may be imposed by the state, up to the amount of the taxes due for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the association; or

(2) any member insurer may include in the rates for premiums charged for insurance policies to which this chapter applies amounts sufficient to recoup a sum equal to the amounts paid to the association by the member less any amounts returned to the member insurer by the association, and the rates shall not be deemed excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the member.

(o) The association shall provide for the option of monthly collection of premiums.

SECTION 322. IC 27-13-18-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) If for any reason the plan of the health maintenance organization under IC 27-13-16 does not provide for continuation of benefits as required by IC 27-13-16-1, the liquidator shall assess, or cause to be assessed, each licensed health maintenance organization doing business in Indiana. The amount that each licensed health maintenance organization is assessed must be based on the ratio of the amount of all subscriber premiums received by the health maintenance organization for contracts issued in Indiana for the previous calendar year to the amount of the total subscriber premiums received by all licensed health maintenance organizations for contracts issued in Indiana for the previous calendar year.

(b) The total assessments of health maintenance organizations under subsection (a) must equal an amount sufficient to provide for continuation of benefits as required by IC 27-13-16-1 to enrollees covered under contracts issued by the health maintenance organization to subscribers located in Indiana, and to pay administrative expenses.

(c) The total amount of all assessments to be paid by a health maintenance organization in any one (1) calendar year may not exceed one percent (1%) of the premiums received by the health maintenance organization from business in Indiana during the calendar year preceding the assessment.

(d) If the total amount of all assessments in any one (1) calendar year does not provide an amount sufficient to meet the requirements of subsection (a), additional funds must be assessed in succeeding calendar years.

(e) Health maintenance organizations that, during any preceding calendar year, have paid one (1) or more assessments levied under this section may either:

(1) take as a credit against ~~gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income taxes,~~ **business supplemental tax,** or any combination of these, or similar taxes upon revenue or income of health maintenance organizations that may be imposed by Indiana up to twenty percent (20%) of any assessment described in this section for each calendar year following the year in which those assessments were paid until the aggregate of those assessments have been offset; or

(2) include in the premiums charged for coverage to which this article applies amounts sufficient to recoup a sum equal to the amounts paid in assessments as long as the premiums are not excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the health maintenance organization.

SECTION 323. IC 29-3-3-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. Except as otherwise determined in a dissolution of marriage proceeding, a custody proceeding, or in some other proceeding authorized by law, including a proceeding under section 6 of this chapter or another proceeding under this article, and unless a minor is married, the parents of the minor jointly (or the survivor if one (1) parent is deceased), if not an incapacitated person, have, without the appointment of a guardian, giving of bond, or order or confirmation of court, the right to custody of the person of the minor and the power to execute the following on behalf of the minor:

(1) Consent to the application of subsection (c) of Section 2032A

of the Internal Revenue Code, which imposes personal liability for payment of the tax under that Section.

(2) Consent to the application of Section 6324A of the Internal Revenue Code, which attaches a lien to property to secure payment of taxes deferred under Section 6166 of the Internal Revenue Code.

(3) Any other consents, waivers, or powers of attorney provided for under the Internal Revenue Code.

(4) Waivers of notice permissible with reference to proceedings under IC 29-1.

(5) Consents, waivers of notice, or powers of attorney under any statute, including the Indiana inheritance tax law (IC 6-4.1) ~~the Indiana gross income tax law (IC 6-2.1),~~ and the Indiana adjusted gross income tax law (IC 6-3).

(6) Consent to unsupervised administration as provided in IC 29-1-7.5.

(7) Federal and state income tax returns.

(8) Consent to medical or other professional care, treatment, or advice for the minor's health and welfare.

SECTION 324. IC 34-6-2-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 20. "Charitable entity", for purposes of IC 34-30-5, means any entity exempted from ~~the Indiana~~ **state** gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20.~~ **IC 6-2.5-5-21(b)(1)(B).**

SECTION 325. IC 34-24-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a)** If a person suffers a pecuniary loss as a result of a violation of IC 35-43, IC 35-42-3-3, IC 35-42-3-4, or IC 35-45-9, the person may bring a civil action against the person who caused the loss for the following:

(1) **Except as provided in subsection (b),** an amount not to exceed three (3) times the actual damages of the person suffering the loss.

(2) The costs of the action.

(3) A reasonable attorney's fee.

(4) Actual travel expenses that are not otherwise reimbursed under subdivisions (1) through (3) and are incurred by the person suffering loss to:

(A) have the person suffering loss or an employee or agent of that person file papers and attend court proceedings related to the recovery of a judgment under this chapter; or

(B) provide witnesses to testify in court proceedings related to the recovery of a judgment under this chapter.

(5) A reasonable amount to compensate the person suffering loss for time used to:

(A) file papers and attend court proceedings related to the recovery of a judgment under this chapter; or

(B) travel to and from activities described in clause (A).

(6) Actual direct and indirect expenses incurred by the person suffering loss to compensate employees and agents for time used to:

(A) file papers and attend court proceedings related to the recovery of a judgment under this chapter; or

(B) travel to and from activities described in clause (A).

(7) All other reasonable costs of collection.

(b) The owner of a riverboat licensed under IC 4-33 or the owner's assignee who suffers a pecuniary loss as the result of a violation of IC 35-43-5-5 is entitled to the actual damages resulting from the violation. In addition, the owner or the owner's assignee is entitled to the amounts described in subsection (a)(2) through (a)(7).

SECTION 326. IC 34-30-2-45.5, AS AMENDED BY P.L.120-2002, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 45.5. IC 12-16-4.5-6 ~~and after June 30, 2004, IC 12-16.1-4-6~~ (Concerning persons who aid a patient in completing an application for assistance under the hospital care for the indigent program).

SECTION 327. IC 34-30-2-45.7, AS AMENDED BY P.L.120-2002, SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 45.7. IC 12-16-5.5-2 ~~and after June 30, 2004, IC 12-16.1-5-2~~ (Concerning hospitals for providing information verifying indigency of patient).

SECTION 328. IC 34-30-2-45.9, AS AMENDED BY P.L.120-2002, SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 45.9. IC 12-16-13.5-1 ~~and after June 30, 2004, IC 12-16.1-12-1~~ (Concerning hospitals or persons providing services under the hospital care for the indigent program).

SECTION 329. IC 35-45-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) Except as provided in subsection (b), a person who:

(1) knowingly or intentionally owns, manufactures, possesses, buys, sells, rents, leases, repairs, or transports a gambling device, or offers or solicits an interest in a gambling device;

(2) before a race, game, contest, or event on which gambling may be conducted, knowingly or intentionally transmits or receives

gambling information by any means, or knowingly or intentionally installs or maintains equipment for the transmission or receipt of gambling information; or

(3) having control over the use of a place, knowingly or intentionally permits another person to use the place for professional gambling;

commits promoting professional gambling, a Class D felony.

(b) Subsection (a)(1) does not apply to a boat manufacturer who:

(1) transports or possesses a gambling device solely for the purpose of installing that device in a boat that is to be sold and transported to a buyer; and

(2) does not display the gambling device to the general public or make the device available for use in Indiana.

(c) When a public utility is notified by a law enforcement agency acting within its jurisdiction that any service, facility, or equipment furnished by it is being used or will be used to violate this section, it shall discontinue or refuse to furnish that service, facility, or equipment, and no damages, penalty, or forfeiture, civil or criminal, may be found against a public utility for an act done in compliance with such a notice. This subsection does not prejudice the right of a person affected by it to secure an appropriate determination, as otherwise provided by law, that the service, facility, or equipment should not be discontinued or refused, or should be restored.

(d) Subsection (a)(1) does not apply to a person who:

(1) possesses an antique slot machine;

(2) restricts display and use of the antique slot machine to the person's private residence; and

(3) does not use the antique slot machine for profit.

(e) As used in this section, "antique slot machine" refers to a slot machine that is:

(1) at least forty (40) years old; and

(2) possessed and used for decorative, historic, or nostalgic purposes.

SECTION 330. IC 35-45-5-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. This chapter does not apply to the publication or broadcast of an advertisement, a list of prizes, or other information concerning:

(1) pari-mutuel wagering on horse races or a lottery authorized by the law of any state; ~~or~~

(2) a game of chance operated in accordance with IC 4-32; **or**

(3) a pari-mutuel pull tab game operated in accordance with IC 4-31-7.5.

SECTION 331. IC 35-45-5-11 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 11. This chapter does not apply to the sale of pari-mutuel pull tab tickets authorized by IC 4-31-7.5.**

SECTION 332. IC 36-1-8-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) Each unit that receives tax revenue under IC 4-33-12-6 **(before its repeal),** IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue may establish a riverboat fund. Money in the fund may be used for any legal or corporate purpose of the unit.

(b) The riverboat fund established under subsection (a) shall be administered by the unit's treasurer, and the expenses of administering the fund shall be paid from money in the fund. Money in the fund not currently needed to meet the obligations of the fund may be invested in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of a particular fiscal year does not revert to the unit's general fund.

SECTION 333. IC 36-1-14-1, AS AMENDED BY P.L.17-2000, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) This section does not apply to donations of proceeds from riverboat gaming to a public school endowment corporation under IC 20-5-6-9.

(b) As used in this section, "riverboat gaming revenue" means tax revenue received by a unit under IC 4-33-12-6 **(before its repeal),** IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue.

(c) Notwithstanding IC 8-1.5-2-6(d), a unit may donate the proceeds from the sale of a utility or facility or from a grant, a gift, a donation, an endowment, a bequest, a trust, or riverboat gaming revenue to a foundation under the following conditions:

(1) The foundation is a charitable nonprofit community foundation.

(2) The foundation retains all rights to the donation, including investment powers.

(3) The foundation agrees to do the following:

(A) Hold the donation as a permanent endowment.

(B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit.

(C) Return the donation to the general fund of the unit if the foundation:

(i) loses the foundation's status as a public charitable

organization;
(ii) is liquidated; or
(iii) violates any condition of the endowment set by the fiscal body of the unit.

SECTION 334. IC 36-7-11-4.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4.3. (a) An ordinance that establishes a historic preservation commission under section 4 **or 4.5** of this chapter may authorize the staff of the commission, on behalf of the commission, to grant or deny an application for a certificate of appropriateness.

(b) An ordinance adopted under this section must specify the types of applications that the staff of the commission is authorized to grant or deny. The staff may not be authorized to grant or deny an application for a certificate of appropriateness for the following:
(1) The demolition of a building.
(2) The moving of a building.
(3) The construction of an addition to a building.
(4) The construction of a new building.

SECTION 335. IC 36-7-11-4.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 4.5. (a) This section applies to the following towns located in a county having a population of more than nineteen thousand three hundred (19,300) but less than twenty thousand (20,000):**
(1) A town having a population of more than one thousand five hundred (1,500) but less than two thousand two hundred (2,200).
(2) A town having a population of less than one thousand five hundred (1,500).

(b) The towns described in subsection (a) may enter into an interlocal agreement under IC 36-1-7 to establish a joint historic district under this chapter. An ordinance entering into the interlocal agreement must provide for the following membership of a joint historic preservation commission to administer the joint historic district:
(1) A member of the town council of a town described in subsection (a)(1).
(2) A member of the town council of a town described in subsection (a)(2).
(3) The owner of a historic resort hotel located in a town described in subsection (a)(1) or the owner's designee.
(4) The owner of a historic resort hotel located in a town

described in subsection (a)(2) or the owner's designee.

(5) An individual appointed by the Historic Landmarks Foundation of Indiana.

(6) A resident of a town described in subsection (a)(1) appointed by the town council.

(7) A resident of a town described in subsection (a)(2) appointed by the town council.

The members described in subdivisions (1) and (2) shall be appointed by the town councils of the respective towns.

(c) A member of the commission described in subsection (b)(1) or (b)(2) shall serve for the duration of the member's term of office on the town council. The members described in subsection (b)(5) through (b)(7) shall each serve for a term of three (3) years. However, the terms of the original voting members may be for one (1) year, two (2) years, or three (3) years in order for the terms to be staggered, as provided by the ordinance. A vacancy shall be filled for the duration of the term by the original appointing authority.

(d) The ordinance may provide qualifications for members of the commission described in subsection (b)(6) and (b)(7). In addition, the members appointed under subsection (b)(6) and (b)(7) must be residents of the respective towns that are interested in the preservation and development of historic areas. The members of the commission should include professionals in the disciplines of architectural history, planning, and other disciplines related to historic preservation, to the extent that those professionals are available in the community. The ordinance may also provide for the appointment of advisory members that the legislative body considers appropriate.

(e) Each member of the commission must, before beginning the discharge of the duties of the member's office, do the following:

(1) Take an oath that the member will faithfully execute the duties of the member's office according to Indiana law and rules adopted under Indiana law.

(2) Provide a bond to the state that:

(A) is approved by the Indiana gaming commission;

(B) is for twenty-five thousand dollars ($25,000); and

(C) is, after being executed and approved, recorded in the office of the secretary of state.

(f) The ordinance may:

(1) designate an officer or employee of a town described in subsection (a) to act as administrator;

(2) permit the commission to appoint an administrator who shall serve without compensation except reasonable expenses incurred in the performance of the administrator's duties; or

(3) provide that the commission act without the services of an administrator.

(g) Members of the commission shall serve without compensation except for reasonable expenses incurred in the performance of their duties.

(h) The commission shall elect from its membership a chairperson and vice chairperson, who shall serve for one (1) year and may be reelected.

(i) The commission shall adopt rules consistent with this chapter for the transaction of its business. The rules must include the time and place of regular meetings and a procedure for the calling of special meetings. All meetings of the commission must be open to the public, and a public record of the commission's resolutions, proceedings, and actions must be kept. If the commission has an administrator, the administrator shall act as the commission's secretary. If the commission does not have an administrator, the commission shall elect a secretary from its membership.

(j) The commission shall hold regular meetings, at least monthly, except when it has no business pending.

(k) A decision of the commission is subject to judicial review under IC 4-21.5-5 as if it were a decision of a state agency.

(l) Money acquired by the historic preservation commission:

(1) is subject to the laws concerning the deposit and safekeeping of public money; and

(2) must be deposited under the advisory supervision of the state board of finance in the same way and manner, at the same rate of interest, and under the same restrictions as other state money.

(m) The money of the historic preservation commission and the accounts of each officer, employee, or other person entrusted by law with the raising, disposition, or expenditure of the money or part of the money are subject to the following:

(1) Examination by the state board of accounts.

(2) The same penalties and the same provision for publicity that are provided by law for state money and state officers.

SECTION 336. IC 36-7-11-4.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4.6. An ordinance that establishes a historic preservation commission under section 4 **or 4.5** of this chapter may:

(1) authorize the commission to:

(A) acquire by purchase, gift, grant, bequest, devise, or lease any real or personal property, including easements, that is appropriate for carrying out the purposes of the commission;

(B) hold title to real and personal property; and

(C) sell, lease, rent, or otherwise dispose of real and personal property at a public or private sale on the terms and conditions that the commission considers best; and

(2) establish procedures that the commission must follow in acquiring and disposing of property.

SECTION 337. IC 36-7-11-23 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 23. (a) This section applies to a historic preservation commission established by section 4.5 of this chapter.**

(b) In addition to the commission's other duties set forth in this chapter, the commission shall do the following:

(1) Designate a fiscal agent who must be the fiscal officer of one (1) of the towns described in section 4.5(a) of this chapter.

(2) Employ professional staff to assist the commission in carrying out its duties under this section.

(3) Engage consultants, attorneys, accountants, and other professionals necessary to carry out the commission's duties under this section.

(4) Own the riverboat license described in IC 4-33-6-1(a)(6).

(5) Develop requests for proposals for persons interested in operating and managing the riverboat authorized under IC 4-33 on behalf of the commission as the riverboat's licensed operating agent.

(6) Recommend a person to the Indiana gaming commission that the historic preservation commission believes will:

(A) promote the most economic development in the area surrounding the historic district;

(B) best meet the criteria set forth in IC 4-33-6-4; and

(C) best serve the interests of the citizens of Indiana.

However, the Indiana gaming commission is not bound by the recommendation of the historic preservation commission.

SECTION 338. IC 36-7-11-24 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 24. (a) This section applies to a historic preservation commission established by section 4.5 of this chapter.**

(b) In addition to the commission's other powers set forth in this chapter, the commission may do the following:

(1) Enter contracts to carry out the commission's duties under section 23 of this chapter, including contracts for the construction, maintenance, operation, and management of a riverboat to be operated in the historic district under IC 4-33.

(2) Provide recommendations to the Indiana gaming commission concerning the operation and management of a riverboat to be operated in the historic district under IC 4-33.

(c) This section may not be construed to limit the powers of the Indiana gaming commission with respect to the administration and regulation of riverboat gaming under IC 4-33.

SECTION 339. IC 36-7-11.4 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 11.4. French Lick and West Baden Community Trust Fund

Sec. 1. This section applies to a historic district established by IC 36-7-11-4.5.

Sec. 2. As used in this chapter, "fund" refers to the French Lick and West Baden community trust fund established by section 4 of this chapter.

Sec. 3. As used in this chapter, "historic preservation commission" refers to the historic preservation commission described in IC 36-7-11-4.5.

Sec. 4. (a) The French Lick and West Baden community trust fund is established.

(b) The fund consists of the following:

(1) Money disbursed from the historic preservation commission.

(2) Donations.

(3) Interest and dividends on assets of the fund.

(4) Money transferred to the fund from other funds.

(5) Money from any other source.

Sec. 5. (a) The historic preservation commission shall manage and develop the fund and the assets of the fund.

(b) The historic preservation commission shall do the following:

(1) Establish a policy for the investment of the fund's assets.

(2) Perform other tasks consistent with prudent management and development of the fund.

Sec. 6. (a) Subject to the investment policy of the historic preservation commission, the fiscal agent appointed by the historic

preservation commission shall administer the fund and invest the money in the fund.

(b) The expenses of administering the fund and implementing this chapter shall be paid from the fund.

(c) Money in the fund that is not currently needed to meet the obligations of the fund may be invested in the same manner as other public funds are invested. Interest that accrues from these investments shall be deposited in the fund.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 7. (a) The historic preservation commission has the sole authority to allocate money from the fund for the following purposes:

(1) The preservation, restoration, maintenance, operation, and development of the French Lick historic resort hotel.

(2) The preservation, restoration, maintenance, operation, and development of the West Baden historic resort hotel.

(3) Infrastructure projects and other related improvements in the surrounding community.

(b) Money allocated under subsection (a)(1) and (a)(2) must be divided equally between the two (2) historic resort hotels.

Sec. 8. The historic preservation commission shall prepare an annual report concerning the fund and submit the report to the legislative council before October 1 of each year. The report is a public record.

SECTION 340. IC 36-7-13-3.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.8. As used in this chapter, "state and local income taxes" means taxes imposed under any of the following:

(1) IC 6-2.1 (the gross income tax).

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax).

~~(3) IC 6-3-8 (the supplemental net income tax).~~

~~(4)~~ **(3)** IC 6-3.5-1.1 (county adjusted gross income tax).

~~(5)~~ **(4)** IC 6-3.5-6 (county option income tax).

~~(6)~~ **(5)** IC 6-3.5-7 (county economic development income tax).

SECTION 341. IC 36-7-13-15, AS AMENDED BY P.L.174-2001, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) If an advisory commission on industrial development designates a district under this chapter or the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the treasurer of state shall establish an incremental tax financing fund for the county.

The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for the county under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the district, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the district.

(2) The aggregate amount of state and local income taxes paid by employees employed in the district with respect to wages earned for work in the district, until the amount of state and local income taxes deposited equals the income tax incremental amount.

(c) The aggregate amount of revenues that is:

(1) attributable to:

(A) the state gross retail and use taxes established under IC 6-2.5;

(B) the gross income tax established under IC 6-2.1; **and**

(C) the adjusted gross income tax established under IC 6-3-1 through IC 6-3-7; and

~~(D) the supplemental net income tax established under IC 6-3-8; and~~

(2) deposited during any state fiscal year in each incremental tax financing fund established for a county;

may not exceed one million dollars ($1,000,000) per county.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a county shall be distributed to the district's advisory commission on industrial development for deposit in the industrial development fund of the unit that requested designation of the district.

SECTION 342. IC 36-7-14-39, AS AMENDED BY P.L.90-2002, SECTION 476, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 39. (a) As used in this section:

"Allocation area" means that part of a blighted area to which an allocation provision of a declaratory resolution adopted under section 15 of this chapter refers for purposes of distribution and allocation of property taxes.

"Base assessed value" means the following:

(1) If an allocation provision is adopted after June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing an economic development area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a blighted area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing a blighted area expires after June 30, 1997; and

(B) after June 30, 1997, a new allocation provision is included in an amendment to the declaratory resolution;

the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision adopted after June 30, 1997, as adjusted under subsection (h).

(4) Except as provided in subdivision (5), for all other allocation areas, the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h).

(5) If an allocation area established in an economic development area before July 1, 1995, is expanded after June 30, 1995, the definition in subdivision (1) applies to the expanded portion of the area added after June 30, 1995.

(6) If an allocation area established in a blighted area before July

1, 1997, is expanded after June 30, 1997, the definition in subdivision (2) applies to the expanded portion of the area added after June 30, 1997.

Except as provided in section 39.3 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property. However, upon approval by a resolution of the redevelopment commission adopted before June 1, 1987, "property taxes" also includes taxes imposed under IC 6-1.1 on depreciable personal property. If a redevelopment commission adopted before June 1, 1987, a resolution to include within the definition of property taxes taxes imposed under IC 6-1.1 on depreciable personal property that has a useful life in excess of eight (8) years, the commission may by resolution determine the percentage of taxes imposed under IC 6-1.1 on all depreciable personal property that will be included within the definition of property taxes. However, the percentage included must not exceed twenty-five percent (25%) of the taxes imposed under IC 6-1.1 on all depreciable personal property.

(b) A declaratory resolution adopted under section 15 of this chapter before January 1, 2006, may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution before January 1, 2006, in accordance with the procedures required for its original adoption. A declaratory resolution or an amendment that establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision that may not be more than thirty (30) years after the date on which the allocation provision is established. However, if bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the blighted area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements in or serving that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) in or serving that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility in or serving that allocation area under any lease entered into under IC 36-1-10.

(I) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under section 39.5 of this chapter in the same year.

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the commission.

(3) Except as provided in subsection (g), before July 15 of each year the commission shall do the following:

(A) Determine the amount, if any, by which the base assessed value when multiplied by the estimated tax rate of the allocation area will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Notify the county auditor of the amount, if any, of the amount of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1). The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2) or lessors under section 25.3 of this chapter.

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by any taxing unit after the effective date of the allocation provision of the declaratory resolution is the lesser of:

(1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(2) the base assessed value.

(d) Property tax proceeds allocable to the redevelopment district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the redevelopment district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the redevelopment commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

(1) the assessed value of the property as valued without regard to this section; or

(2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund any amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. The amount sufficient for purposes specified in subsection (b)(2) for the year shall be determined based on the pro rata portion of such current property tax proceeds from the portion of the enterprise zone that is within the allocation area as compared to all such current property tax proceeds derived from the allocation area. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund (based on the recommendations of the urban enterprise association) for programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(2), except that where reference is made in subsection (b)(2) to allocation area it shall refer for purposes of payments from the special zone fund only to that portion of the allocation area that is also located in the enterprise zone. Those programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 343. IC 36-7-14-39.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 39.5. (a) As used in this section, "allocation area" has the meaning set forth in section 39 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 39 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the redevelopment district and paid into an allocation fund under section 39(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the redevelopment commission, the municipal legislative body (in the case of a redevelopment commission established by a municipality) or the county executive (in the case of a redevelopment commission established by a county) may, by resolution, provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) Whenever the municipal legislative body or county executive determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the municipal legislative body or county executive must adopt a resolution under subsection (e) to deny the additional credit or reduce it to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until it is rescinded by the body that originally adopted it. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 344. IC 36-7-14.5-12.5, AS AMENDED BY P.L.90-2002, SECTION 477, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12.5. (a) This section applies only to an authority in a county having a United States government military base that is scheduled for closing or is completely or partially inactive or closed.

(b) In order to accomplish the purposes set forth in section 11(b) of this chapter, an authority may create an economic development area:

(1) by following the procedures set forth in IC 36-7-14-41 for the establishment of an economic development area by a redevelopment commission; and

(2) with the same effect as if the economic development area was created by a redevelopment commission.

However, an authority may not include in an economic development area created under this section any area that was declared a blighted area, an urban renewal area, or an economic development area under IC 36-7-14.

(c) In order to accomplish the purposes set forth in section 11(b) of this chapter, an authority may do the following in a manner that serves an economic development area created under this section:

(1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of economic development areas located within the corporate boundaries of the unit.

(2) Hold, use, sell (by conveyance by deed, land sale contract, or other instrument), exchange, lease, rent, or otherwise dispose of property acquired for use in the redevelopment of economic development areas on the terms and conditions that the authority considers best for the unit and the unit's inhabitants.

(3) Sell, lease, or grant interests in all or part of the real property acquired for redevelopment purposes to any other department of the unit or to any other governmental agency for public ways, levees, sewerage, parks, playgrounds, schools, and other public purposes on any terms that may be agreed on.

(4) Clear real property acquired for redevelopment purposes.

(5) Repair and maintain structures acquired for redevelopment purposes.

(6) Remodel, rebuild, enlarge, or make major structural improvements on structures acquired for redevelopment purposes.

(7) Survey or examine any land to determine whether the land should be included within an economic development area to be acquired for redevelopment purposes and to determine the value of that land.

(8) Appear before any other department or agency of the unit, or before any other governmental agency in respect to any matter affecting:

(A) real property acquired or being acquired for redevelopment purposes; or

(B) any economic development area within the jurisdiction of the authority.

(9) Institute or defend in the name of the unit any civil action, but all actions against the authority must be brought in the circuit or superior court of the county where the authority is located.

(10) Use any legal or equitable remedy that is necessary or considered proper to protect and enforce the rights of and perform the duties of the authority.

(11) Exercise the power of eminent domain in the name of and within the corporate boundaries of the unit subject to the same conditions and procedures that apply to the exercise of the power of eminent domain by a redevelopment commission under IC 36-7-14.

(12) Appoint an executive director, appraisers, real estate experts, engineers, architects, surveyors, and attorneys.

(13) Appoint clerks, guards, laborers, and other employees the authority considers advisable, except that those appointments must be made in accordance with the merit system of the unit if such a system exists.

(14) Prescribe the duties and regulate the compensation of employees of the authority.

(15) Provide a pension and retirement system for employees of the authority by using the public employees' retirement fund or a retirement plan approved by the United States Department of Housing and Urban Development.

(16) Discharge and appoint successors to employees of the authority subject to subdivision (13).

(17) Rent offices for use of the department or authority, or accept the use of offices furnished by the unit.

(18) Equip the offices of the authority with the necessary furniture, furnishings, equipment, records, and supplies.

(19) Design, order, contract for, and construct, reconstruct, improve, or renovate the following:

(A) Any local public improvement or structure that is necessary for redevelopment purposes or economic development within the corporate boundaries of the unit.

(B) Any structure that enhances development or economic development.

(20) Contract for the construction, extension, or improvement of pedestrian skyways (as defined in IC 36-7-14-12.2(c)).

(21) Accept loans, grants, and other forms of financial assistance from, or contract with, the federal government, the state government, a municipal corporation, a special taxing district, a foundation, or any other source.

(22) Make and enter into all contracts and agreements necessary or incidental to the performance of the duties of the authority and the execution of the powers of the authority under this chapter.

(23) Take any action necessary to implement the purpose of the authority.

(24) Provide financial assistance, in the manner that best serves the purposes set forth in section 11(b) of this chapter, including grants and loans, to enable private enterprise to develop, redevelop, and reuse military base property or otherwise enable private enterprise to provide social and economic benefits to the citizens of the unit.

(d) An authority may designate all or a portion of an economic development area created under this section as an allocation area by following the procedures set forth in IC 36-7-14-39 for the establishment of an allocation area by a redevelopment commission. The allocation provision may modify the definition of "property taxes" under IC 36-7-14-39(a) to include taxes imposed under IC 6-1.1 on the depreciable personal property located and taxable on the site of operations of designated taxpayers in accordance with the procedures applicable to a commission under IC 36-7-14-39.3. IC 36-7-14-39.3 applies to such a modification. An allocation area established by an authority under this section is a special taxing district authorized by the general assembly to enable the unit to provide special benefits to taxpayers in the allocation area by promoting economic development that is of public use and benefit. For allocation areas established for an economic development area created under this section after June 30, 1997, and to the expanded portion of an allocation area for an economic development area that was established before June 30, 1997, and that is expanded under this section after June 30, 1997, the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date, must be allocated. All of the provisions of IC 36-7-14-39, IC 36-7-14-39.1, and IC 36-7-14-39.5 apply to an allocation area created under this section, except that the authority shall be vested with the rights and duties of a commission as referenced in those sections, and except that, notwithstanding IC 36-7-14-39(b)(2), property tax proceeds paid into the allocation fund may be used by the authority only to do one (1) or more of the following:

(1) Pay the principal of and interest and redemption premium on any obligations incurred by the special taxing district or any other entity for the purpose of financing or refinancing military base reuse activities in or serving or benefitting that allocation area.

(2) Establish, augment, or restore the debt service reserve for obligations payable solely or in part from allocated tax proceeds in that allocation area or from other revenues of the authority (including lease rental revenues).

(3) Make payments on leases payable solely or in part from allocated tax proceeds in that allocation area.

(4) Reimburse any other governmental body for expenditures made by it for local public improvements or structures in or serving or benefitting that allocation area.

(5) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the authority. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of the twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under IC 36-7-14-39.5 in the same year.

(6) Pay expenses incurred by the authority for local public

improvements or structures that are in the allocation area or serving or benefiting the allocation area.

(7) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(A) in the allocation area; and

(B) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in clause (B). The reimbursements under this subdivision must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made. The allocation fund may not be used for operating expenses of the authority.

(e) In addition to other methods of raising money for property acquisition, redevelopment, or economic development activities in or directly serving or benefitting an economic development area created by an authority under this section, and in anticipation of the taxes allocated under subsection (d), other revenues of the authority, or any combination of these sources, the authority may, by resolution, issue the bonds of the special taxing district in the name of the unit. Bonds issued under this section may be issued in any amount without limitation. The following apply if such a resolution is adopted:

(1) The authority shall certify a copy of the resolution authorizing the bonds to the municipal or county fiscal officer, who shall then prepare the bonds. The seal of the unit must be impressed on the bonds, or a facsimile of the seal must be printed on the bonds.

(2) The bonds must be executed by the appropriate officer of the unit and attested by the unit's fiscal officer.

(3) The bonds are exempt from taxation for all purposes.

(4) Bonds issued under this section may be sold at public sale in accordance with IC 5-1-11 or at a negotiated sale.

(5) The bonds are not a corporate obligation of the unit but are an indebtedness of the taxing district. The bonds and interest are payable, as set forth in the bond resolution of the authority:

(A) from the tax proceeds allocated under subsection (d);

(B) from other revenues available to the authority; or

(C) from a combination of the methods stated in clauses (A) and (B).

(6) Proceeds from the sale of bonds may be used to pay the cost

of interest on the bonds for a period not to exceed five (5) years from the date of issuance.

(7) Laws relating to the filing of petitions requesting the issuance of bonds and the right of taxpayers to remonstrate against the issuance of bonds do not apply to bonds issued under this section.

(8) If a debt service reserve is created from the proceeds of bonds, the debt service reserve may be used to pay principal and interest on the bonds as provided in the bond resolution.

(9) If bonds are issued under this chapter that are payable solely or in part from revenues to the authority from a project or projects, the authority may adopt a resolution or trust indenture or enter into covenants as is customary in the issuance of revenue bonds. The resolution or trust indenture may pledge or assign the revenues from the project or projects. The resolution or trust indenture may also contain any provisions for protecting and enforcing the rights and remedies of the bond owners as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the authority. The authority may establish fees and charges for the use of any project and covenant with the owners of any bonds to set those fees and charges at a rate sufficient to protect the interest of the owners of the bonds. Any revenue bonds issued by the authority that are payable solely from revenues of the authority shall contain a statement to that effect in the form of bond.

(f) Notwithstanding section 8(a) of this chapter, an ordinance adopted under section 11(b) of this chapter may provide, or be amended to provide, that the board of directors of the authority shall be composed of not fewer than three (3) nor more than seven (7) members, who must be residents of the unit appointed by the executive of the unit.

(g) The acquisition of real and personal property by an authority under this section is not subject to the provisions of IC 5-22, IC 36-1-10.5, IC 36-7-14-19, or any other statutes governing the purchase of property by public bodies or their agencies.

(h) An authority may negotiate for the sale, lease, or other disposition of real and personal property without complying with the provisions of IC 5-22-22, IC 36-1-11, IC 36-7-14-22, or any other statute governing the disposition of public property.

(i) Notwithstanding any other law, utility services provided within an economic development area established under this section are subject to regulation by the appropriate regulatory agencies unless the utility service is provided by a utility that provides utility service solely within the geographic boundaries of an existing or a closed military installation, in which case the utility service is not subject to regulation for purposes of rate making, regulation, service delivery, or issuance of bonds or other forms of indebtedness. However, this exemption from regulation does not apply to utility service if the service is generated, treated, or produced outside the boundaries of the existing or closed military installation.

SECTION 345. IC 36-7-15.1-26.5, AS AMENDED BY P.L.90-2002, SECTION 480, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 26.5. (a) As used in this section, "adverse determination" means a determination by the fiscal officer of the consolidated city that the granting of credits described in subsection (g) or (h) would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund.

(b) As used in this section, "allocation area" has the meaning set forth in section 26 of this chapter.

(c) As used in this section, "special fund" refers to the special fund into which property taxes are paid under section 26 of this chapter.

(d) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(e) Except as provided in subsections (g), (h), and (i), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 26 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the redevelopment district and paid into the special fund.

(f) The credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i), unless the credits under subsections (g) and (h) are partial credits, shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. Except as provided in subsections (h) and (i), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i) shall be combined on the tax statements sent to each taxpayer.

(g) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. A credit calculated using the method provided in subsection (e) may be granted under this subsection. The credit provided under this subsection is first applicable for the allocation area for property taxes first due and payable in 1992. The following apply to the determination of the credit provided under this subsection:

(1) Before June 15 of each year, the fiscal officer of the consolidated city shall determine and certify the following:

(A) All amounts due in the following year to the owners of outstanding bonds payable from the allocation area special fund.

(B) All amounts that are:

(i) required under contracts with bond holders; and

(ii) payable from the allocation area special fund to fund accounts and reserves.

(C) An estimate of the amount of personal property taxes available to be paid into the allocation area special fund under section 26.9(c) of this chapter.

(D) An estimate of the aggregate amount of credits to be granted if full credits are granted.

(2) Before June 15 of each year, the fiscal officer of the consolidated city shall determine if the granting of the full amount of credits in the following year would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund.

(3) If the fiscal officer of the consolidated city determines under subdivision (2) that there would not be an impairment or adverse effect:

(A) the fiscal officer of the consolidated city shall certify the determination; and

(B) the full credits shall be applied in the following year, subject to the determinations and certifications made under section 26.7(b) of this chapter.

(4) If the fiscal officer of the consolidated city makes an adverse determination under subdivision (2), the fiscal officer of the consolidated city shall determine whether there is an amount of partial credits that, if granted in the following year, would not result in the impairment or adverse effect. If the fiscal officer determines that there is an amount of partial credits that would not result in the impairment or adverse effect, the fiscal officer shall do the following:

(A) Determine the amount of the partial credits.

(B) Certify that determination.

(5) If the fiscal officer of the consolidated city certifies under subdivision (4) that partial credits may be paid, the partial credits shall be applied pro rata among all affected taxpayers in the following year.

(6) An affected taxpayer may appeal any of the following to the circuit or superior court of the county in which the allocation area is located:

(A) A determination by the fiscal officer of the consolidated city that:

(i) credits may not be paid in the following year; or

(ii) only partial credits may be paid in the following year.

(B) A failure by the fiscal officer of the consolidated city to make a determination by June 15 of whether full or partial credits are payable under this subsection.

(7) An appeal of a determination must be filed not later than thirty (30) days after the publication of the determination.

(8) An appeal of a failure by the fiscal officer of the consolidated city to make a determination of whether the credits are payable under this subsection must be filed by July 15 of the year in which the determination should have been made.

(9) All appeals under subdivision (6) shall be decided by the court within sixty (60) days.

(h) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. A credit calculated using the method in subsection (e) and in subdivision (2) of this subsection may be granted under this subsection. The following apply to the credit granted under this subsection:

(1) The credit is applicable to property taxes first due and payable in 1991.

(2) For purposes of this subsection, the amount of a credit for 1990 taxes payable in 1991 with respect to an affected taxpayer is equal to:

(A) the amount of the quotient determined under STEP TWO of subsection (e); multiplied by

(B) the total amount of the property taxes payable by the taxpayer that were allocated in 1991 to the allocation area special fund under section 26 of this chapter.

(3) Before June 15, 1991, the fiscal officer of the consolidated city shall determine and certify an estimate of the aggregate amount of credits for 1990 taxes payable in 1991 if the full credits are granted.

(4) The fiscal officer of the consolidated city shall determine whether the granting of the full amounts of the credits for 1990 taxes payable in 1991 against 1991 taxes payable in 1992 and the granting of credits under subsection (g) would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund for an allocation area described in subsection (g).

(5) If the fiscal officer of the consolidated city determines that there would not be an impairment or adverse effect under subdivision (4):

(A) the fiscal officer shall certify that determination; and

(B) the full credits shall be applied against 1991 taxes payable in 1992 or the amount of the credits shall be paid to the taxpayers as provided in subdivision (12), subject to the determinations and certifications made under section 26.7(b) of this chapter.

(6) If the fiscal officer of the consolidated city makes an adverse determination under subdivision (4), the fiscal officer shall determine whether there is an amount of partial credits for 1990 taxes payable in 1991 that, if granted against 1991 taxes payable in 1992 in addition to granting of the credits under subsection (g), would not result in the impairment or adverse effect.

(7) If the fiscal officer of the consolidated city determines under subdivision (6) that there is an amount of partial credits that

would not result in the impairment or adverse effect, the fiscal officer shall determine the amount of partial credits and certify that determination.

(8) If the fiscal officer of the consolidated city certifies under subdivision (7) that partial credits may be paid, the partial credits shall be applied pro rata among all affected taxpayers against 1991 taxes payable in 1992.

(9) An affected taxpayer may appeal any of the following to the circuit or superior court of the county in which the allocation area is located:

(A) A determination by the fiscal officer of the consolidated city that:

(i) credits may not be paid for 1990 taxes payable in 1991; or

(ii) only partial credits may be paid for 1990 taxes payable in 1991.

(B) A failure by the fiscal officer of the consolidated city to make a determination by June 15, 1991, of whether credits are payable under this subsection.

(10) An appeal of a determination must be filed not later than thirty (30) days after the publication of the determination. Any such appeal shall be decided by the court within sixty (60) days.

(11) An appeal of a failure by the fiscal officer of the consolidated city to make a determination of whether credits are payable under this subsection must be filed by July 15, 1991. Any such appeal shall be decided by the court within sixty (60) days.

(12) If 1991 taxes payable in 1992 with respect to a parcel are billed to the same taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall apply to the tax bill for 1991 taxes payable in 1992 both the credit provided under subsection (g) and the credit provided under this subsection, along with any credit determined to be applicable to the tax bill under subsection (i). In the alternative, at the election of the county auditor, the county may pay to the taxpayer the amount of the credit by May 10, 1992, and the amount shall be charged to the taxing units in which the allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(13) If 1991 taxes payable in 1992 with respect to a parcel are billed to a taxpayer other than the taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (i) to the tax bill for 1991 taxes payable in 1992.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit under this subsection.

A taxpayer entitled to a credit must file an application for refund of the credit with the county auditor not later than November 30, 1991.

(14) A taxpayer who files an application by November 30, 1991, is entitled to payment from the county treasurer in an amount that is in the same proportion to the credit provided under this subsection with respect to a parcel as the amount of 1990 taxes payable in 1991 paid by the taxpayer with respect to the parcel bears to the 1990 taxes payable in 1991 with respect to the parcel. This amount shall be paid to the taxpayer by May 10, 1992, and shall be charged to the taxing units in which the allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(i) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. The following apply to the credit granted under this subsection:

(1) A prior year credit is applicable to property taxes first due and payable in each year from 1987 through 1990 (the "prior years").

(2) The credit for each prior year is equal to:

(A) the amount of the quotient determined under STEP TWO of subsection (e) for the prior year; multiplied by

(B) the total amount of the property taxes paid by the taxpayer that were allocated in the prior year to the allocation area special fund under section 26 of this chapter.

(3) Before January 31, 1992, the county auditor shall determine the amount of credits under subdivision (2) with respect to each parcel in the allocation area for all prior years with respect to which:

(A) taxes were billed to the same taxpayer for taxes payable in each year from 1987 through 1991; or

(B) an application was filed by November 30, 1991, under subdivision (8) for refund of the credits for prior years.

A report of the determination by parcel shall be sent by the county auditor to the department of local government finance and the budget agency within five (5) days of such determination.

(4) Before January 31, 1992, the county auditor shall determine the quotient of the amounts determined under subdivision (3) with respect to each parcel divided by six (6).

(5) Before January 31, 1992, the county auditor shall determine the quotient of the aggregate amounts determined under subdivision (3) with respect to all parcels divided by twelve (12).

(6) Except as provided in subdivisions (7) and (9), in each year in which credits from prior years remain unpaid, credits for the prior years in the amounts determined under subdivision (4) shall be applied as provided in this subsection.

(7) If taxes payable in the current year with respect to a parcel are billed to the same taxpayer to which taxes payable in all of the prior years were billed and if the amount determined under subdivision (3) with respect to the parcel is at least five hundred dollars ($500), the county treasurer shall apply the credits provided for the current year under subsections (g) and (h) and the credit in the amount determined under subdivision (4) to the tax bill for taxes payable in the current year. However, if the amount determined under subdivision (3) with respect to the parcel is less than five hundred dollars ($500) (referred to in this subdivision as "small claims"), the county may, at the election of the county auditor, either apply a credit in the amount determined under subdivision (3) or subdivision (4) to the tax bill for taxes payable in the current year or pay either amount to the taxpayer. If title to a parcel transfers in a year in which a credit under this subsection is applied to the tax bill, the transferor may file an application with the county auditor within thirty (30) days of the date of the transfer of title to the parcel for payments to the transferor at the same times and in the same amounts that would have been allowed as credits to the transferor under this subsection if there had not been a transfer. If a determination is made by the county auditor to refund or credit small claims in the amounts determined under subdivision (3) in 1992, the county auditor may make appropriate adjustments to the credits applied with respect to other parcels so that the total refunds and credits in any year will not exceed the payments made from the state property tax replacement fund to the prior year credit fund referred to in subdivision (11) in that year.

(8) If taxes payable in the current year with respect to a parcel are billed to a taxpayer that is not a taxpayer to which taxes payable in all of the prior years were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (h) to the tax bill for taxes payable in the current year.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit.

A taxpayer entitled to the credit must file an application for refund of the credit with the county auditor not later than November 30, 1991. A refund shall be paid to an eligible applicant by May 10, 1992.

(9) A taxpayer who filed an application by November 30, 1991, is entitled to payment from the county treasurer under subdivision (8) in an amount that is in the same proportion to the credit determined under subdivision (3) with respect to a parcel as the amount of taxes payable in the prior years paid by the taxpayer with respect to the parcel bears to the taxes payable in the prior years with respect to the parcel.

(10) In each year on May 1 and November 1, the state shall pay to the county treasurer from the state property tax replacement fund the amount determined under subdivision (5).

(11) All payments received from the state under subdivision (10) shall be deposited into a special fund to be known as the prior year credit fund. The prior year credit fund shall be used to make:

(A) payments under subdivisions (7) and (9); and

(B) deposits into the special fund for the application of prior year credits.

(12) All amounts paid into the special fund for the allocation area under subdivision (11) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area.

(13) By January 15, 1993, and by January 15 of each year thereafter, the county auditor shall send to the department of local government finance and the budget agency a report of the receipts, earnings, and disbursements of the prior year credit fund for the prior calendar year. If in the final year that credits under subsection (i) are allowed any balance remains in the prior year credit fund after the payment of all credits payable under this subsection, such balance shall be repaid to the treasurer of state for deposit in the property tax replacement fund.

(14) In each year, the county shall limit the total of all refunds and credits provided for in this subsection to the total amount paid in

year credit fund and any balance remaining from the preceding year in the prior year credit fund.

SECTION 346. IC 36-7-15.1-35 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 35. (a) Notwithstanding section 26(a) of this chapter, with respect to the allocation and distribution of property taxes for the accomplishment of a program adopted under section 32 of this chapter, "base assessed value" means the net assessed value of all of the land as finally determined for the assessment date immediately preceding the effective date of the allocation provision, as adjusted under section 26(g) of this chapter. However, "base assessed value" does not include the value of real property improvements to the land.

(b) The special fund established under section 26(b) of this chapter for the allocation area for a program adopted under section 32 of this chapter may be used only for purposes related to the accomplishment of the program, including the following:

(1) The construction, rehabilitation, or repair of residential units within the allocation area.

(2) The construction, reconstruction, or repair of infrastructure (such as streets, sidewalks, and sewers) within or serving the allocation area.

(3) The acquisition of real property and interests in real property within the allocation area.

(4) The demolition of real property within the allocation area.

(5) To provide financial assistance to enable individuals and families to purchase or lease residential units within the allocation area. However, financial assistance may be provided only to those individuals and families whose income is at or below the county's median income for individuals and families, respectively.

(6) To provide financial assistance to neighborhood development corporations to permit them to provide financial assistance for the purposes described in subdivision (5).

(7) To provide each taxpayer in the allocation area a credit for property tax replacement as determined under subsections (c) and (d). However, this credit may be provided by the commission only if the city-county legislative body establishes the credit by ordinance adopted in the year before the year in which the credit is provided.

(c) The maximum credit that may be provided under subsection (b)(7) to a taxpayer in a taxing district that contains all or part of an allocation area established for a program adopted under section 32 of this chapter shall be determined as follows:

STEP ONE: Determine that part of the sum of the amounts described in IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~the amount~~ **each county's eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for that year as** determined under IC 6-1.1-21-4(a)(1) that is attributable to the taxing district; by

(B) the amount determined under STEP ONE.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district allocated to the allocation fund, including the amount that would have been allocated but for the credit.

(d) The commission may determine to grant to taxpayers in an allocation area from its allocation fund a credit under this section, as calculated under subsection (c), by applying one-half (1/2) of the credit to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable on May 1 and November 1 of a year. The commission must provide for the credit annually by a resolution and must find in the resolution the following:

(1) That the money to be collected and deposited in the allocation fund, based upon historical collection rates, after granting the credit will equal the amounts payable for contractual obligations from the fund, plus ten percent (10%) of those amounts.

(2) If bonds payable from the fund are outstanding, that there is a debt service reserve for the bonds that at least equals the amount of the credit to be granted.

(3) If bonds of a lessor under section 17.1 of this chapter or under IC 36-1-10 are outstanding and if lease rentals are payable from the fund, that there is a debt service reserve for those bonds that at least equals the amount of the credit to be granted.

If the tax increment is insufficient to grant the credit in full, the commission may grant the credit in part, prorated among all taxpayers.

(e) Notwithstanding section 26(b) of this chapter, the special fund established under section 26(b) of this chapter for the allocation area for a program adopted under section 32 of this chapter may only be used to do one (1) or more of the following:

(1) Accomplish one (1) or more of the actions set forth in section

26(b)(2)(A) through ~~section~~ 26(b)(2)(H) of this chapter.

(2) Reimburse the consolidated city for expenditures made by the city in order to accomplish the housing program in that allocation area.

The special fund may not be used for operating expenses of the commission.

(f) Notwithstanding section 26(b) of this chapter, the commission shall, relative to the special fund established under section 26(b) of this chapter for an allocation area for a program adopted under section 32 of this chapter, do the following before July 15 of each year:

(1) Determine the amount, if any, by which property taxes payable to the allocation fund in the following year will exceed the amount of property taxes necessary:

(A) to make, when due, principal and interest payments on bonds described in section 26(b)(2) of this chapter;

(B) to pay the amount necessary for other purposes described in section 26(b)(2) of this chapter; and

(C) to reimburse the consolidated city for anticipated expenditures described in subsection (e)(2).

(2) Notify the county auditor of the amount, if any, of excess property taxes that the commission has determined may be paid to the respective taxing units in the manner prescribed in section 26(b)(1) of this chapter.

SECTION 347. IC 36-7-15.1-56, AS ADDED BY P.L.102-1999, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 56. (a) As used in this section, "allocation area" has the meaning set forth in section 53 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 53 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the development district and paid into an allocation fund under section 53(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the commission, the excluded city legislative body may, by resolution, provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) Whenever the excluded city legislative body determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the excluded city legislative body must adopt a resolution under subsection (e) to deny the additional credit or reduce it to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until it is rescinded by the body that originally adopted it. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 348. IC 36-7-30-25, AS AMENDED BY P.L.90-2002, SECTION 486, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) The following definitions apply throughout this section:

(1) "Allocation area" means that part of a military base reuse area to which an allocation provision of a declaratory resolution adopted under section 10 of this chapter refers for purposes of distribution and allocation of property taxes.

(2) "Base assessed value" means:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the adoption date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A) or (C), the net assessed value of any and all parcels or classes of parcels identified as part of the base assessed value in the declaratory resolution or an amendment thereto, as finally determined for any subsequent assessment date; plus

(C) to the extent that it is not included in clause (A) or (B), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

Clause (C) applies only to allocation areas established in a military reuse area after June 30, 1997, and to the portion of an allocation area that was established before June 30, 1997, and that is added to an existing allocation area after June 30, 1997.

(3) "Property taxes" means taxes imposed under IC 6-1.1 on real property.

(b) A declaratory resolution adopted under section 10 of this chapter before the date set forth in IC 36-7-14-39(b) pertaining to declaratory resolutions adopted under IC 36-7-14-15 may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution in accordance with the procedures set forth in section 13 of this chapter. The allocation provision may apply to all or part of the military base reuse area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the military base reuse district and, when collected, paid into an allocation fund for that allocation area that may be used by the military base reuse district and only to do one (1) or more of the following:

(A) Pay the principal of and interest and redemption premium on any obligations incurred by the military base reuse district or any other entity for the purpose of financing or refinancing military base reuse activities in or directly serving or benefiting that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area or from other revenues of the reuse authority, including lease rental revenues.

(C) Make payments on leases payable solely or in part from allocated tax proceeds in that allocation area.

(D) Reimburse any other governmental body for expenditures made for local public improvements (or structures) in or directly serving or benefiting that allocation area.

(E) Pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the reuse authority. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(i) that part ~~of the twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(ii) the STEP ONE sum.

STEP THREE: Multiply:

(i) the STEP TWO quotient; times

(ii) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under section 27 of this chapter in the same year.

(F) Pay expenses incurred by the reuse authority for local public improvements or structures that were in the allocation area or directly serving or benefiting the allocation area.

(G) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made not more than three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the reuse authority.

(3) Except as provided in subsection (g), before July 15 of each year the reuse authority shall do the following:

(A) Determine the amount, if any, by which property taxes payable to the allocation fund in the following year will exceed the amount of property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Notify the county auditor of the amount, if any, of the amount of excess property taxes that the reuse authority has determined may be paid to the respective taxing units in the manner prescribed in subdivision (1). The reuse authority may not authorize a payment to the respective taxing units under this subdivision if to do so would endanger the interest of the holders of bonds described in subdivision (2) or lessors under section 19 of this chapter. Property taxes received by a taxing unit under this subdivision are eligible for the property tax replacement credit provided under IC 6-1.1-21.

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by a taxing unit after the effective date of the allocation provision of the declaratory resolution is the lesser of:

(1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(2) the base assessed value.

(d) Property tax proceeds allocable to the military base reuse district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the military base reuse district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the reuse authority, reassess the taxable property situated upon or in or added to the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and the making of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

(1) the assessed value of the property as valued without regard to

this section; or

(2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund any amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. The amount sufficient for purposes specified in subsection (b)(2) for the year shall be determined based on the pro rata part of such current property tax proceeds from the part of the enterprise zone that is within the allocation area as compared to all such current property tax proceeds derived from the allocation area. A unit that does not have obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) that are derived from property in the enterprise zone in the fund. The unit that creates the special zone fund shall use the fund (based on the recommendations of the urban enterprise association) for programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(2), except that where reference is made in subsection (b)(2) to allocation area it shall refer for purposes of payments from the special zone fund only to that portion of the allocation area that is also located in the enterprise zone. The programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the military base reuse district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the military base reuse district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 349. IC 36-7-30-27 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 27. (a) As used in this section, "allocation area" has the meaning set forth in section 25 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 25 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the military base reuse district and paid into an allocation fund under section 25(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the reuse authority, the municipal legislative body (in the case of a reuse authority established by a municipality) or the county executive (in the case of a reuse authority established by a county) may by resolution provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) If the municipal legislative body or county executive determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the municipal legislative body or county executive must adopt a resolution under subsection (e) to deny the additional credit or reduce the credit to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until rescinded by the body that originally adopted the resolution. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 350. IC 36-9-14-2, AS AMENDED BY P.L.170-2002, SECTION 167, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) A cumulative building fund to provide money for the construction, remodeling, and repair of courthouses may be established by the county legislative body under ~~IC 6-1.1-21.~~ **IC 6-1.1-41.**

(b) As used in this section, "courthouse" includes a historical complex consisting of a former county courthouse, jail, and sheriff's residence which is open to the general public for educational or community purposes in a county having a population of more than one hundred seventy thousand (170,000) but less than one hundred eighty thousand (180,000).

SECTION 351. IC 36-9-31-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. Any security issued in connection with a financing under this chapter the interest on which is excludable from **adjusted** gross income tax is exempt from the registration requirements of IC 23-2-1, or any other securities registration law.

SECTION 352. IC 36-10-11-2, AS AMENDED BY P.L.178-2002, SECTION 136, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 28, 2002 (RETROACTIVE)]: Sec. 2. As used in this chapter:

"Authority" refers to a building authority created under this chapter.

"Building" means a structure or a part of a structure used for a civic center, ~~or a facility that is owned by the city and used by a professional sports franchise,~~ including the site, landscaping, parking, heating facilities, sewage disposal facilities, and other related appurtenances and supplies necessary to make the building suitable for use and occupancy.

"Governmental entity" means a state agency, state university, or political subdivision.

SECTION 353. IC 36-10-11-33, AS AMENDED BY P.L.178-2002, SECTION 137, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 28, 2002 (RETROACTIVE)]: Sec. 33. (a) The fiscal body of the lessee shall adopt an ordinance creating a board of five (5) members to be known as the "Civic Center Board of Managers". The board of managers shall supervise, manage, operate, and maintain ~~a building~~ **the civic center** and its programs.

(b) A person appointed to the board of managers must be at least twenty-one (21) years of age and a resident of the lessee governmental entity for at least five (5) years. If the lessee is a city, three (3) of the managers shall be appointed by the city executive, and two (2) of the managers shall be appointed by the city legislative body. If the lessee is not a city, all five (5) managers shall be appointed by the fiscal body of the lessee. An officer or employee of a political subdivision may not serve as a manager. The managers serve for terms of three (3) years.

(c) Notwithstanding subsection (b), if the lessee is a city, initial terms of the managers appointed by the executive are as follows:

(1) One (1) manager for a term of one (1) year.

(2) One (1) manager for a term of two (2) years.

(3) One (1) manager for a term of three (3) years.

The initial term of one (1) of the managers appointed by the legislative body is two (2) years, and the other is three (3) years.

(d) Notwithstanding subsection (b), if the lessee is not a city, initial terms of the managers are as follows:

(1) One (1) manager for a term of one (1) year.

(2) Two (2) managers for terms of two (2) years.

(3) Two (2) managers for terms of three (3) years.

(e) A manager may be removed for cause by the appointing authority. Vacancies shall be filled by the appointing authority, and any person appointed to fill a vacancy serves for the remainder of the vacated term. The managers may not receive salaries, but shall be reimbursed for any expenses necessarily incurred in the performance of their duties.

(f) The board of managers shall annually elect officers to serve during the calendar year. The board of managers may adopt resolutions and bylaws governing its operations and procedure and may hold meetings as often as necessary to transact business and to perform its duties. A majority of the managers constitutes a quorum.

SECTION 354. IC 36-10-11-34, AS AMENDED BY P.L.178-2002, SECTION 138, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 28, 2002 (RETROACTIVE)]: Sec. 34. The board of managers may do the following:

(1) Receive and collect money due to or otherwise related to ~~a building;~~ **the civic center;** employ an executive manager, an associate manager, and other agents and employees that are considered necessary for the fulfillment of its duties, and fix the compensation of all employees. However, a contract of employment or other arrangement must be terminable at the will of the board of managers, except that a contract may be entered into with an executive manager for a period not exceeding four (4) years and subject to extension or renewal for similar or shorter periods.

(2) Let concessions for the operation of restaurants, cafeterias, public telephones, news and cigar stands, vending machines, caterers, and all other services considered necessary or desirable for the operation of the ~~a building.~~ **civic center.**

(3) Lease a part of ~~a building~~ **the civic center** from time to time to any association, corporation, or individual, with or without the right to sublet.

(4) Fix charges and establish rules governing the use and

operation of ~~a building.~~ **the civic center.**

(5) Accept gifts or contributions from individuals, corporations, limited liability companies, partnerships, associations, trusts, or foundations; accept funds, loans, or advances on the terms and conditions that the board of managers considers necessary or desirable from the federal government, the state, or any of their agencies or political subdivisions.

(6) Receive and collect all money due to the use or leasing of ~~a building~~ **the civic center** or any part of it and from concessions or other contracts and expend that money for proper purposes.

(7) Provide coverage for its employees under IC 22-3 and IC 22-4.

(8) Purchase public liability and other insurance that it considers necessary.

(9) Make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under this chapter, including enforcement of them.

(10) Maintain and repair ~~a building~~ **the civic center** and employ a building superintendent and other employees that are necessary to properly maintain ~~a building.~~ **the civic center.**

(11) Prepare and publish descriptive materials and literature relating to ~~a building~~ **the civic center** and specifying the advantages of ~~a building;~~ **the civic center;** do all other acts and things that the board of managers considers necessary to promote and publicize ~~a building~~ **the civic center** and serve the commercial, industrial, and cultural interests of Indiana and all its citizens by the use of ~~a building;~~ **the civic center;** and assist and cooperate with the state and other public, governmental, and private agencies and groups of citizens for those purposes.

(12) Supervise, manage, operate, and maintain any other public facility owned or leased by the lessee governmental entity or by an agency of it when so directed by a resolution adopted by the fiscal body of the entity.

(13) Exercise other powers and perform other duties not in conflict with this chapter that are specified by ordinance or resolution of the fiscal body of the lessee governmental entity.

(14) Perform all other acts necessarily incidental to its duties and the powers listed in this section.

SECTION 355. IC 36-10-11-35, AS AMENDED BY P.L.178-2002, SECTION 139, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 28, 2002 (RETROACTIVE)]: Sec. 35. (a) The board of managers shall prepare a budget for each calendar year governing the projected operating expenses, the estimated income, and reasonable reserves. It shall submit that budget for review, approval, or addition to the fiscal body of the lessee governmental entity.

(b) The board of managers may not make expenditures except as provided in the approved budget, and all additional expenditures are subject to approval by the fiscal body of the entity.

(c) Payments to the users of ~~a building~~ **the civic center** or a part of it that constitute a contractual share of box office receipts are not considered an operating expense or an expenditure within the meaning of this section, and the board of managers may make those payments without approval.

SECTION 356. IC 36-10-11-36, AS AMENDED BY P.L.178-2002, SECTION 140, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 28, 2002 (RETROACTIVE)]: Sec. 36. (a) The fiscal officer of the lessee governmental entity shall act as controller of the board of managers and is responsible for proper safeguarding and accounting. The controller shall, with the approval of the board of managers, appoint an assistant to act as auditor for the board of managers.

(b) The assistant is the official custodian of all books of account and other financial records of the board of managers and has the other powers and duties that are delegated by the controller and the lesser powers and duties that the board of managers prescribes. The assistant, and any other employee or member of the board of managers authorized to receive, collect, or expend money, shall give bond for the faithful performance and discharge of all duties required of him in an amount and with surety and other conditions that are prescribed and approved by the board of managers.

(c) The assistant shall keep an accurate account of:

(1) all money due ~~a building~~ **the civic center** and the board of managers; and

(2) all money received, invested, and disbursed;

in accordance with generally recognized governmental accounting principles and procedures. All accounting forms and records shall be prescribed or approved by the state board of accounts. The assistant shall issue all warrants for the payment of money from the funds of the board of managers in accordance with procedures prescribed by the board of managers, but a warrant may not be issued for the payment of any claim until an itemized and verified statement of the claim has been filed with the controller, who may require evidence that all amounts claimed are justly due. All warrants shall be countersigned by the controller or financial officer or by the executive manager. Payroll and similar warrants may be executed with facsimile signatures.

(d) If the board of managers or the lessee governmental entity has entered into any agreement to lease ~~building~~ **civic center** facilities from the authority, the controller shall pay the lease rental to the authority within a reasonable period before the date on which principal or interest on any bonds outstanding issued under this chapter becomes due. The assistant shall submit to the board of managers at least annually a report of his accounts exhibiting the revenues, receipts, and disbursements and the sources from which the revenues and receipts were derived and the purpose and manner in which the disbursements were made. The board of managers may require that the report be prepared by a designated, independent certified public accountant. Handling and expenditure of funds is subject to audit and supervision by the state board of accounts.

SECTION 357. THE FOLLOWING ARE REPEALED [EFFECTIVE UPON PASSAGE]: IC 4-33-2-8; IC 4-33-4-19; IC 4-33-9-2.

SECTION 358. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2002]: IC 4-12-9-4; IC 4-33-12-1; IC 4-33-12-2; IC 4-33-12-3; IC 4-33-12-4; IC 4-33-12-5; IC 4-33-12-6; IC 4-33-15; IC 12-7-2-24.7; IC 12-15-5-6; IC 12-16-2.5-6; IC 12-16-3.5-5; IC 12-16-4.5-9; IC 12-16-5.5-5; IC 12-16-6.5-8; IC 12-16-7.5-13; IC 12-16-8.5-6; IC 12-16-9.5-2; IC 12-16-10.5-6; IC 12-16-11.5-3; IC 12-16-12.5-6; IC 12-16-13.5-3; IC 12-16-14; IC 12-16-14.1; IC 12-17.6-4-10; IC 12-17.7; IC 12-17.8; IC 35-43-5-7.3.

SECTION 359. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2003]: IC 6-2.1-1-0.5; IC 6-2.1-1-0.6; IC 6-2.1-1-3; IC 6-2.1-1-4; IC 6-2.1-1-4.5; IC 6-2.1-1-5; IC 6-2.1-1-6; IC 6-2.1-1-7; IC 6-2.1-1-8; IC 6-2.1-2-1; IC 6-2.1-2-1.2; IC 6-2.1-2-2.5; IC 6-2.1-2-4; IC 6-2.1-2-5; IC 6-2.1-2-6; IC 6-2.1-2-7; IC 6-2.1-3-3.5; IC 6-2.1-3-8; IC 6-2.1-3-19; IC 6-2.1-3-20; IC 6-2.1-3-21; IC 6-2.1-3-22; IC 6-2.1-3-23; IC 6-2.1-3-24; IC 6-2.1-3-24.5; IC 6-2.1-3-25; IC 6-2.1-3-26; IC 6-2.1-3-27; IC 6-2.1-3-28; IC 6-2.1-3-30; IC 6-2.1-3-31; IC 6-2.1-3-33; IC 6-2.1-3-34; IC 6-2.1-3-35; IC 6-2.1-4.5; IC 6-2.1-8-4; IC 6-3-3-2; IC 6-3-7-1; IC 6-3-7-2.5; IC 6-3-8; 6-3.1-21-2; IC 6-3.1-21-3; IC 6-3.1-21-4; IC 6-3.1-21-5; IC 6-3.1-21-7; IC 6-3.1-21-10; IC 6-3.1-23.8; IC 6-5.

SECTION 360. IC 12-16.1 IS REPEALED [EFFECTIVE JULY 1, 2003].

SECTION 361. [EFFECTIVE JULY 1, 2002] **The department of local government finance shall prescribe the forms required under IC 6-1.1-12-41, as added by this act, before August 31, 2002.**

SECTION 362. [EFFECTIVE JULY 1, 2002] **Revenue stamps paid for before July 1, 2002, may be used after June 30, 2002, only if the full amount of the tax imposed by IC 6-7-1-12, as amended by this act, is remitted to the department of state revenue under the procedures prescribed by the department.**

SECTION 363. [EFFECTIVE JULY 1, 2002] **(a) Notwithstanding IC 4-12-1-14.3, there is appropriated to the office of the secretary of family and social services, office of Medicaid policy and planning from the portion of the tobacco settlement money identified in IC 4-12-1-14.3(f) an amount sufficient for use in meeting Medicaid expenditures resulting from court settlements for the period beginning July 1, 2002, and ending June 30, 2004.**

(b) The office of Medicaid policy and planning shall present periodic reports detailing proposed expenditures under subsection (a) to the budget committee. Proposed expenditures may be made only after budget committee review and budget agency approval of the report submitted by the office of Medicaid policy and planning.

(c) This SECTION expires July 1, 2004.

SECTION 364. [EFFECTIVE UPON PASSAGE] **(a) Notwithstanding P.L.29-2001, SECTION 5, the total operating expense for all universities shall be reduced by $29,000,000 for FY 2002-2003. The amount of the reduction for each main and regional campus equals the amount determined under STEP FOUR of the following formula:**

STEP ONE: Determine the amount of the total operating appropriation to the campus.

STEP TWO: Determine the amount of the total operating appropriations for all university campuses.

STEP THREE: Divide the STEP ONE amount by the STEP TWO amount.

STEP FOUR: Multiply the STEP THREE amount by $29,000,000.

(b) Notwithstanding P.L.29-2001, SECTIONS 5 and 38, and any other law, universities may use a part of the money allocated to them from the appropriation from the BUILD INDIANA FUND (BIF) (IC 4-30-27), FOR THE BUDGET AGENCY, Higher Education Technology, for operating expenses to defray the reductions under subsection (a). The amount available for operating expense may not exceed a total of $29,000,000. The formula in subsection (a) shall be used to determine the amount main and regional campuses shall receive.

SECTION 365. [EFFECTIVE UPON PASSAGE] **(a) Notwithstanding P.L.291-2001, SECTION 10, FOR THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT, AUTO EMISSIONS TESTING PROGRAM, Other Operating Expense for the biennium is $0 and not $14,987,334.**

(b) Notwithstanding P.L.291-2001, SECTION 10, there is appropriated from the underground petroleum storage tank excess liability trust fund (IC 13-23-7-1) $14,987,334 to the DEPARTMENT OF ENVIRONMENTAL MANAGEMENT, AUTO EMISSIONS TESTING PROGRAM, Other Operating Expense for the period beginning July 1, 2001, and ending June 30, 2003. Any money spent from the appropriation from the state general fund for the auto emissions testing program for other operating expense shall be refunded to the state general fund from the underground petroleum storage and excess liability trust fund.

SECTION 366. [EFFECTIVE UPON PASSAGE] **(a) The definitions in IC 6-1.1-1 apply throughout this SECTION.**

(b) 50 IAC 2.3 (including the 2002 Real Property Assessment Manual and the Real Property Assessment Guidelines for 2002–Version A) and any other rule adopted by the state board of tax commissioners or the department of local government finance is void to the extent that it establishes a shelter allowance for real property used as a residence. It is the intent of the general assembly that the standard deduction under IC 6-1.1-12-37 is the method through which any relief that would have been granted through a shelter allowance shall be given to taxpayers.

(c) Except as provided in subsections (d) and (e) and IC 6-1.1-4-4.2, the authority of the department of local government finance to adopt rules under IC 6-1.1-31-6, IC 6-1.1-31-7, or any other statute is suspended. The rulemaking documents that are invalidated and the rulemaking actions related to the documents that are terminated by this subsection include the following:

(1) LSA Document #00-283 (equalization standards)

(2) LSA Document #01-98 (county computer systems).

This subsection expires July 1, 2005.

(d) The department of local government finance may adopt rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-1.1-3-22 and IC 6-1.1-8-44. A rule adopted under this SECTION expires on the earliest of the following:

(1) The date specified in the rule.

(2) The date another rule adopted under this subsection

supersedes a rule previous adopted under this subsection.

(3) December 31, 2003.

(e) The department of local government finance may adopt a rule consistent with the notice of intent published in the Indiana Register for LSA Document #01-226 to the extent that the rule implements P.L.198-2001 (HEA 1499.).

(4) LSA Document #01-347.

(5) LSA Document #01-98.

SECTION 367. [EFFECTIVE JULY 1, 2003] **(a) For purposes of:**

(1) IC 6-2.5-2-2, as amended by this act;

(2) IC 6-2.5-6-7, as amended by this act;

(3) IC 6-2.5-6-8, as amended by this act;

(4) IC 6-2.5-6-10, as amended by this act;

(5) IC 6-2.5-7-3, as amended by this act; and

(6) IC 6-2.5-7-5, as amended by this act;

all transactions, except the furnishing of public utility, telephone, or cable television services and commodities by retail merchants described in IC 6-2.5-4-5, IC 6-2.5-4-6, and IC 6-2.5-4-11 shall be considered as having occurred after December 31, 2002, to the extent that delivery of the property or services constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before January 1, 2003, to the extent that the agreement of the parties to the transaction was entered into before January 1, 2003, and payment for the property or services furnished in the transaction is made before January 1, 2003, notwithstanding the delivery of the property or services after December 31, 2002.

(b) With respect to a transaction constituting the furnishing of public utility, telephone, or cable television services and commodities, only transactions for which the charges are collected upon original statements and billings dated after January 31, 2003, shall be considered as having occurred after December 31, 2002.

(c) This SECTION expires July 1, 2004.

SECTION 368. [EFFECTIVE JULY 1, 2002] **(a) The definitions in IC 6-2.2-2, as added by this act, apply throughout this SECTION.**

(b) The department of state revenue shall adopt the initial rules and prescribe the initial forms to implement IC 6-2.2 (business supplemental tax), as added by this act, before July 1, 2002. The department of state revenue may adopt the initial rules required under this SECTION in the same manner that emergency rules are

adopted under IC 4-22-2-37.1. A rule adopted under this SECTION expires on the earlier of the following:

(1) The date that the rule is superseded, amended, or repealed by a permanent rule adopted under IC 4-22-2 or another rule adopted under this SECTION.

(2) July 1, 2004.

(c) IC 6-2.2, as added by this act, applies to taxable years beginning after December 31, 2002, and to short taxable years described in subsection (d).

(d) This subsection applies to a taxpayer that was doing business in Indiana during a taxable year determined under the Internal Revenue Code for federal income tax purposes that:

(1) begins before January 1, 2003; and

(2) ends after December 31, 2002.

The initial taxable year for a taxpayer under IC 6-2.2, as added by this act, is a short taxable year. Notwithstanding IC 6-2.2-4-1, as added by this act, the initial taxable year of a taxpayer under IC 6-2.2, as added by this act, begins January 1, 2003. The initial taxable year of the taxpayer ends on the day immediately preceding the day that the taxpayer's next taxable year under the Internal Revenue Code begins. Notwithstanding IC 6-2.2-6, as added by this act, the tax imposed under IC 6-2.2, as added by this act, for the initial taxable year of the taxpayer is equal to the tax computed under IC 6-2.2-7, as added by this act, for the taxpayer's full taxable year under the Internal Revenue Code multiplied by a fraction. The numerator of the fraction is the number of days remaining in the taxpayer's taxable year after December 31, 2002, and the denominator is the total number of days in the taxable year under the Internal Revenue Code for the purposes of federal income taxation.

SECTION 369. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a taxpayer that:**

(1) was subject to the supplemental net income tax under IC 6-3-8 before January 1, 2003; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) A taxpayer shall file the taxpayer's estimated supplemental net income tax return and pay the taxpayer's estimated supplemental net income tax liability to the department of state revenue as provided by law for due dates that occur before January 1, 2003.

(c) Not later than April 15, 2003, a taxpayer shall file a final

supplemental net income tax return with the department of state revenue on a form and in the manner prescribed by the department of state revenue. At the time of filing the final supplemental net income tax return, a taxpayer shall pay to the department of state revenue an amount equal to the remainder of:

(1) the total supplemental net income tax liability incurred by the taxpayer for the part of the taxpayer's taxable year that occurred in calendar year 2002; minus

(2) the sum of:

(A) the total amount of supplemental net income taxes that were previously paid by the taxpayer to the department of state revenue for any quarter of that same part of the taxpayer's taxable year; plus

(B) any supplemental net income taxes that were withheld from the taxpayer for that same part of the taxpayer's taxable year.

SECTION 370. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a taxpayer that:**

(1) was subject to the gross income tax under IC 6-2.1 before January 1, 2003;

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002; and

(3) is not subject to the gross income tax under IC 6-2.1 after December 31, 2002.

(b) A taxpayer shall file the taxpayer's estimated gross income tax return and pay the taxpayer's estimated gross income tax liability to the department of state revenue as provided in IC 6-2.1-5-1.1 for due dates that occur before January 1, 2003.

(c) Not later than April 15, 2003, a taxpayer shall file a final gross income tax return with the department of state revenue on a form and in the manner prescribed by the department of state revenue. At the time of filing the final gross income tax return, a taxpayer shall pay to the department of state revenue an amount equal to the remainder of:

(1) the total gross income tax liability incurred by the taxpayer for the part of the taxpayer's taxable year that occurred in calendar year 2002; minus

(2) the sum of:

(A) the total amount of gross income taxes that were previously paid by the taxpayer to the department of state revenue for any quarter of that same part of the taxpayer's taxable year; plus

(B) any gross income taxes that were withheld from the taxpayer for that same part of the taxpayer's taxable year under IC 6-2.1-6.

SECTION 371. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a corporate taxpayer that:**

(1) pays adjusted gross income tax under IC 6-3-1 through IC 6-3-7; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) The rate of the adjusted gross income tax imposed under IC 6-3-2-1 for that taxable year is a rate equal to the sum of:

(1) three and four-tenths percent (3.4%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred before January 1, 2004, and the denominator of which is the total number of days in the taxable year; and

(2) eight and five-tenths percent (8.5%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred after December 31, 2003, and the denominator of which is the total number of days in the taxable year.

(c) However, the rate determined under this section shall be rounded to the nearest one-hundredth of one percent (0.01%).

SECTION 372. [EFFECTIVE JULY 1, 2002] **(a) IC 6-3.1-4-6, as amended by this act, applies to expenditures made after December 31, 2002, regardless of when the taxpayer's taxable year begins.**

(b) IC 6-3.1-4-1, IC 6-3.1-4-2, IC 6-3.1-4-3, and IC 6-3.1-4-4, all as amended by this act, apply only to taxable years beginning after December 31, 2002.

(c) IC 6-3.1-4-1, IC 6-3.1-4-2, IC 6-3.1-4-3, and IC 6-3.1-4-4, all as effective before the amendments made by this act, apply to taxable years beginning before January 1, 2003.

SECTION 373. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to the following credits and deductions:**

(1) Standard deduction under IC 6-1.1-12-37.

(2) Multifamily dwelling complex deduction under IC 6-1.1-12-41, as added by this act.

(3) Increased homestead credits under IC 6-1.1-20.9-2.

(b) The deductions under subsection (a) initially apply to property taxes first due and payable in 2003.

SECTION 374. [EFFECTIVE JULY 1, 2002] **(a) The appropriation FOR THE BUREAU OF MOTOR VEHICLES,**

Motor Vehicle Highway Account (IC 8-14-1), Personal Services for FY 2002-2003 is forty-eight million one hundred thirty-two thousand five hundred fifty-seven dollars ($48,132,557) and not sixty-eight million one hundred thirty-two thousand five hundred fifty-seven dollars ($68,132,557). However, the bureau of motor vehicles may supplement its appropriation from the motor vehicle highway account with additional revenue generated by fees charged in license branches.

(b) Thirty-four million eight hundred forty-two thousand dollars ($34,842,000) that would otherwise be distributed to the state highway fund under IC 8-14-1-3 shall be used to fund the appropriation for the state police department under IC 8-14-1-3. The money shall be allocated under IC 8-14-1-3, as amended by this act, in a manner that allows cities, towns, and counties to receive the same distribution under IC 8-14-1-3(1) and IC 8-14-1-3(2), as amended by this act, in FY 2002-2003 as the cities, towns, and counties would have received in FY 2002-2003 if IC 8-14-1-3 had not been amended by this act.

SECTION 375. [EFFECTIVE JULY 1, 2002] **(a) Notwithstanding P.L.291-2001, SECTION 6, the appropriation FOR THE LIEUTENANT GOVERNOR, TOBACCO FARMERS AND RURAL COMMUNITY IMPACT, Total Operating Expense for FY 2001-2002 and any other unexpended balance remaining in the tobacco farmers and rural community impact fund on June 30, 2002, reverts to the Indiana tobacco master settlement agreement fund on July 1, 2002.**

(b) Notwithstanding P.L.291-2001, SECTION 6, the appropriation FOR THE LIEUTENANT GOVERNOR, TOBACCO FARMERS AND RURAL COMMUNITY IMPACT, Total Operating Expense for FY 2002-2003 is $0 and not $5,000,000.

(c) The annual appropriations made to the value added research fund by IC 4-4-3.4-4, as amended by this act, are in addition to and not in place of the appropriations made to the value added research fund by P.L.291-2001, SECTION 6.

(d) This SECTION expires July 1, 2003.

SECTION 376. [EFFECTIVE UPON PASSAGE] **(a) Notwithstanding P.L.291-2001, SECTION 8, the amount allocated FOR THE INDIANA STATE POLICE AND MOTOR CARRIER INSPECTION, From the General Fund for FY 2002-2003, is $0 and not $54,841,661.**

(b) Notwithstanding P.L.291-2001, SECTION 8, the amount

allocated FOR THE INDIANA STATE POLICE AND MOTOR CARRIER INSPECTION, From the Motor Vehicle Highway Account (IC 8-14-1) for FY 2002-2003 is $109,673,322 and not $54,841,661.

(c) Notwithstanding P.L.291-2001, SECTION 8, augmentation for FY 2002-2003 FOR THE INDIANA STATE POLICE AND MOTOR CARRIER INSPECTION for FY 2002-2003 is allowed from the Motor Vehicle Highway Account and the Motor Carrier Regulation Fund and not from the General Fund.

SECTION 377. [EFFECTIVE JULY 1, 2002] **Notwithstanding P.L.291-2001, SECTION 8, the amounts appropriated FOR THE INDIANA STATE POLICE AND MOTOR CARRIER INSPECTION, for Personal Services and Other Operating Expense are from the Motor Vehicle Highway Account and the Motor Carrier Regulation Fund and not from the General Fund.**

SECTION 378. [EFFECTIVE JULY 1, 2001 (RETROACTIVE)] **(a) There is appropriated to the legislative services agency one hundred thousand dollars ($100,000) from the state general fund for the purpose of funding activities of subcommittees of the Indiana commission on excellence in health care established by P.L.220-2001, SECTION 1, beginning July 1, 2001, and ending June 30, 2003.**

(b) This SECTION expires June 30, 2003.

SECTION 379. [EFFECTIVE JULY 1, 2002] **The legislative services agency shall prepare legislation for introduction in the 2003 session of the general assembly to make conforming changes to statutes, as needed, to reconcile the statutes with this act.**

SECTION 380. [EFFECTIVE JULY 1, 2002] **IC 6-1.1-10.1-10, as added by this act, applies only to property taxes first due and payable after December 31, 2003.**

SECTION 381. [EFFECTIVE UPON PASSAGE] **Notwithstanding P.L.291-2001 or any other law, the budget agency, with the approval of the budget committee, may reduce the appropriation made by P.L291-2001 for FY 2002-2003 for TESTING/REMEDIATION. To carry out the appropriation reduction, the governor may issue an executive order suspending or revising ISTEP testing and remediation in grades 3, 6, or 8 in FY 2002-2003. The ISTEP program shall be conducted in the manner provided by the executive order.**

SECTION 382. [EFFECTIVE JULY 1, 2002] **Beginning July 1, 2002, any rules, policies, or programs that provide for the expansion of the ISTEP program or related remediation programs**

in science or social studies are void.

SECTION 383. [EFFECTIVE JULY 1, 2002] **(a) In addition to the appropriations made in P.L.291-2001, SECTION 4, FOR THE DEPARTMENT OF EDUCATION, ADA FLAT GRANT DISTRIBUTION, the following appropriation is made:**

	FY 2002-003 Appropriation
FOR THE DEPARTMENT OF EDUCATION	
SUPPLEMENTAL ADA FLAT GRANT DISTRIBUTION	
Total Operating Expense	**35,000,000**

(b) Distribution to local school corporations shall be based on average daily attendance (ADA), as determined in the rules of the Indiana state board of education. The amount per ADA shall be determined by dividing the above appropriation for supplemental ADA flat grant distribution by the total state ADA. The distribution shall be made on January 2, 2003.

(c) Notwithstanding IC 4-12-1-12, IC 4-13-2-18, or any other law or regulation, the above appropriation for supplemental ADA flat grant distributions is automatically allotted.

(d) This SECTION expires July 1, 2003.

SECTION 384. [EFFECTIVE JULY 1, 2001 (RETROACTIVE)] **(a) Notwithstanding IC 4-12-1-12, 4-13-2-18, or any other law or rule, the amounts appropriated in P.L.291-1001, SECTION 4, FOR THE DEPARTMENT OF EDUCATION, for the fiscal year beginning July 1, 2001, and ending June 30, 2002, are automatically allotted to the department of education.**

(b) Notwithstanding IC 4-12-1-12, 4-13-2-18, or any other law or regulation, the amounts appropriated in P.L.291-1001, SECTION 4, FOR THE DEPARTMENT OF EDUCATION, for the fiscal year beginning July 1, 2002, and ending June 30, 2003, are automatically allotted to the department of education.

(c) This SECTION expires July 1, 2003.

SECTION 385. [EFFECTIVE JULY 1, 2002] **(a) There is appropriated to the budget agency ten million dollars ($10,000,000) from the state general fund for distribution to the state universities for technology for the fiscal year beginning July 1, 2002, and ending June 30, 2003.**

(b) The universities eligible to receive money from the apportion made in this SECTION are Indiana University, Purdue University, Indiana State University, Ball State University, the University of Southern Indiana, Vincennes University, and Ivy Tech State College.

(c) Notwithstanding IC 4-12-1-12, IC 4-13-2-18, or any other law or regulation, the appropriation made in this SECTION is automatically allotted for distribution to the state universities.

(d) The distributions made under this SECTION shall be based on a formula developed by the budget agency and reviewed by the budget committee. The formula shall be based on the percentage the total operating budget for each university bears to the total operating budgets for all of the universities.

(e) The distribution shall be made only to those universities that do not increase the technology fees for students after March 15, 2002. If a university did increase technology fees for students after March 15, 2002, and rescinds the increase, the university shall receive a distributions of the appropriation made in this SECTION.

(f) This SECTION expires July 1, 2003.

SECTION 386. [EFFECTIVE JULY 1, 2002] **(a) Notwithstanding IC 4-12-1-12, IC 4-13-2-18, or any other law or rule, twenty million dollars ($20,000,000) of the appropriations made in P.L.291-2001, SECTION 37 for Higher Education for General Repair and Rehab is automatically allotted for distribution to the universities listed in the appropriations. However, before making a distribution under this subsection, the budget agency shall prepare and provide for review by the budget committee a formula for the distribution of the twenty million dollars ($20,000,000) in amounts that are proportional to the appropriations made in P.L.291-2001, SECTION 37 for Higher Education for General Repair and Rehab.**

(b) This SECTION expires July 1, 2003.

SECTION 387. [EFFECTIVE JULY 1, 2002] **The riverboat admissions tax may not be collected after June 30, 2002.**

SECTION 388. [EFFECTIVE JULY 1, 2002] **(a) The Indiana gaming commission shall adopt the emergency rules required under IC 4-31-7.5-11, as added by this act, before December 1, 2002.**

(b) This SECTION expires December 31, 2002.

SECTION 389. [EFFECTIVE UPON PASSAGE] **(a) The Indiana gaming commission shall adopt a resolution authorizing a riverboat licensed under IC 4-33 to permit the continuous ingress and egress of patrons for the purpose of gambling. The commission may exercise any power necessary to implement this act under a resolution authorized under this SECTION.**

(b) This SECTION expires January 1, 2003.

SECTION 390. [EFFECTIVE UPON PASSAGE] **(a) The Indiana**

gaming commission shall adopt a resolution authorizing a permit holder to sell pari-mutuel pull tabs under IC 4-31-7.5, as added by this act. The commission may exercise any power necessary to implement this act under a resolution authorized under this SECTION.

(b) This SECTION expires January 1, 2003.

SECTION 391. [EFFECTIVE UPON PASSAGE] **In accordance with IC 12-24-1-1(b), as added by this act, the budget agency shall make any transfers of funds between appropriations in P.L.291-2001, SECTION 7, necessary to keep the Muscatatuck State Developmental Center in operation.**

SECTION 392. [EFFECTIVE JULY 1, 2001 (RETROACTIVE)] **(a) Notwithstanding any notice sent after June 30, 2001, the division of mental health and addiction may not terminate or lay off any employee at the:**

(1) Evansville State Psychiatric Treatment Center for Children;
(2) Logansport State Hospital;
(3) Madison State Hospital; or
(4) Richmond State Hospital;

after June 30, 2001, solely as a part of a staff reduction plan.

(b) Notwithstanding any other statute or policy, any employee at the:

(1) Evansville State Psychiatric Treatment Center for Children;
(2) Logansport State Hospital;
(3) Madison State Hospital; or
(4) Richmond State Hospital;

terminated or laid off after June 30, 2001, solely as a part of a staff reduction plan shall have a preference for recall or reemployment at the facility from which the employee was terminated or laid off.

(c) This SECTION does not prohibit, after June 30, 2001, the termination of the employment of an employee for cause in accordance with IC 4-15-2. However, the division of mental health and addiction shall fill a vacancy created by the termination so that the staffing levels at the location where the termination occurred are not reduced below the staffing levels in effect on January 1, 2002.

SECTION 393. [EFFECTIVE JULY 1, 2002] **(a) Notwithstanding IC 12-15.5-3-4, as added by this act, this SECTION governs transfers and distributions under that section to be made in 2002.**

(b) Not later than July 15, 2002, the balance in the state hospital

care for the indigent fund as of June 30, 2002, shall be distributed to the counties. The amount to be distributed to a county is the amount that bears the same proportion to the total amount to be distributed under this subsection that the amount transferred in the state fiscal year ending June 30, 2002, by the county to the state hospital care for the indigent fund under IC 12-16-14-6(b) (repealed) bears to the total amount transferred in that year by all counties to that fund. Each county shall deposit the amount distributed under this subsection in its county support for hospitals fund.

(c) The money in the state hospital care for the indigent fund on June 30, 2002, is hereby appropriated for purposes of the distribution described in subsection (b).

(d) Not later than July 15, 2002, each county shall transfer to its county support for hospitals fund the balance in the county's hospital care for the indigent fund as of June 30, 2002.

(e) The balance in each county's county support for hospitals fund after the distribution under subsection (b) and the transfer under subsection (d) is, for purposes of IC 12-15.5, as added by this act, an amount raised by the county to meet the county's obligations under that article for:

(1) payments to hospitals; or

(2) transfers to other counties for payments to hospitals;

under IC 12-15.5, as added by this act.

(f) The state department of health shall before August 1, 2002, prepare a site of care study under IC 12-15.5-3-1(b) for the most recent twelve (12) month period for which complete data is available.. **A county that is required to make transfers under IC 12-15.5-3-4(a), as added by this act, shall, based on the site of care study prepared under this subsection, transfer to other counties in the manner described in IC 12-15.5-3-4(a), as added by this act, the balance in the county's county support for hospitals fund as of July 31, 2002. A county shall make all of the transfers on the same date and not later than August 15, 2002.**

(g) A county that is required to make distributions to hospitals under IC 12-15.5-3-4(c) or IC 12-15.5-3-4(d), as added by this act, shall not later than September 15, 2002, distribute to hospitals in the manner described in those subsections the balance in the county's county support for hospitals fund as of August 31, 2002.

(h) Not later than two (2) business days after a county makes distributions under subsection (g), the county auditor shall certify for the office of Medicaid policy and planning established under

IC 12-8-6-1 that the distribution represents expenditures eligible for financial participation under 42 U.S.C. 1396b(w)(6)(A) and 42 CFR 433.51. The office of Medicaid policy and planning shall:

(1) assist a county in making this certification; and

(2) take the administrative steps necessary for the funds certified under this section to be deemed to be expenditures eligible for federal financial participation under 42 U.S.C. 1396b(w)(6)(A) and 42 CFR 433.51.

(i) A county identified in IC 12-15.5-5-1, as added by this act, is entitled in 2002, to the extent that money is available for payments under IC 12-15.5-5, as added by this act, to a payment under that chapter not later than October 1, 2002, in the amount determined under that chapter.

(j) This SECTION expires January 1, 2003.

SECTION 394. [EFFECTIVE JULY 1, 2002] **(a) Notwithstanding any other provision of this act, the following are not prohibited or limited:**

(1) A levy of taxes under IC 12-16-14-1(1) (repealed) before July 1, 2002, or the collection of those taxes after July 1, 2002, and before January 1, 2003.

(2) An assessment of taxes under IC 12-16-14-1(2) (repealed) before July 1, 2002, or the collection and allocation of those taxes after July 1, 2002, and before January 1, 2003.

(b) Each county shall deposit in its county support for hospitals fund collections from:

(1) the levy of taxes under IC 12-16-14-1(1) (repealed) after July 1, 2002, and before January 1, 2003; and

(2) an assessment of taxes under IC 12-16-14-1(2) (repealed) after July 1, 2002, and before January 1, 2003;

for the purpose of making distributions to hospitals under IC 12-15.5, as added by this act.

SECTION 395. [EFFECTIVE JULY 1, 2002] **(a) As used in this SECTION, "office" refers to the office of Medicaid policy and planning established under IC 12-8-6-1.**

(b) Before July 15, 2002, the office shall apply to the United States Department of Health and Human Services for approval to amend the state Medicaid plan for the purpose of obtaining:

(1) the certification of distributions under:

(A) IC 12-15.5-4-1, as added by this act; and

(B) SECTION 393(i) of this act;

to obtain federal financial participation; and

(2) federal financial participation for payments made under:

(A) IC 12-15.5-5-3, as added by this act; and

(B) SECTION 393(i) of this act.

(c) The office may not implement the amended state Medicaid plan until the office files an affidavit with the governor attesting that the proposed amendment to the state Medicaid plan applied for under this SECTION was approved. The office shall file the affidavit under this subsection not later than five (5) days after the office is notified that the proposed amendment is approved.

(d) If the office receives approval of the proposed amendment to the state Medicaid plan under this SECTION from the United States Department of Health and Human Services and the governor receives the affidavit filed under subsection (c), the office shall implement the amendment not more than sixty (60) days after the governor receives the affidavit.

(e) The office may adopt rules under IC 4-22-2 necessary to implement this SECTION.

SECTION 396. [EFFECTIVE JANUARY, 2002 (RETROACTIVE)] **The amendment of IC 21-2-15-11 by this act is intended to make the law applicable on and after January 1, 2002, the law as amended by SECTION 314 of this act. The General Assembly does not intend to give any effect to the amendments to IC 21-2-15-11 by P.L.90-2002, SECTION 448.**

SECTION 397. **An emergency is declared for this act.**